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United Nations

United Nations Entity for Gender Equality and the Empowerment of Women

Financial report and audited financial statements

for the year ended 31 December 2011

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5M

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Report of the Board of Auditors

United Nations • New York, 2012

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal and certification

28 June 2012

Pursuant to financial regulation 26.1 of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), we have the honour to submit the amended financial statements of the entity for the year ended 31 December 2011, which we hereby approve.

Please note that after discussions with the United Nations Board of Auditors, we submit the amended financial statements of the United Nations Development Fund for Women (UNIFEM part of UN-Women) for the six months ended 31 December 2010 (2 July to 31 December 2010) as an annex to the financial statements of UN-Women for the year ended 31 December 2011.

Copies of the amended financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

- The management is responsible for the integrity and objectivity of the financial information included in these financial statements;
- The financial statements have been prepared in accordance with the United Nations system accounting standards and include certain amounts that are based on management's best estimates and judgements;
- Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with an appropriate segregation of duties. The internal auditors of UN-Women continually review the accounting and control systems. Further improvements are being implemented in specific areas;
- The management provided the United Nations Board of Auditors and the internal auditors of UN-Women with full and free access to all accounting and financial records;
- The recommendations of the United Nations Board of Auditors and the internal auditors of UN-Women are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

The Chair of the Board of Auditors
United Nations
New York

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Michelle **Bachelet**
Executive Director

(*Signed*) Giovanie **Biha**
Director
Management and Administration

30 June 2012

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women for the year ended 31 December 2011.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), which comprise the statement of income, expenditure and changes in reserve and fund balances (statement I), the statement of assets, liabilities, reserves and fund balances (statement II), and the cash flow statement (statement III) for the year ended 31 December 2011, and the supporting statements, schedules and explanatory notes. The audit did not cover the annex to the financial statements.

Management's responsibility for the financial statements

The Executive Director is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UN-Women as at 31 December 2011 and its financial performance and cash flows, in accordance with the United Nations system accounting standards.

Emphasis of matter

Without qualifying our opinion, we refer to the matters disclosed in note 2 to the financial statements regarding the formation of the new entity and the transitional period provided for in General Assembly resolution 64/289. The resolution provided for a transitional period until 31 December 2010 before UN-Women would be operational and decided that all activities should continue in accordance with the operational arrangements established before the date of adoption of the resolution until replaced by new arrangements. However, during 2011, UN-Women was still in the process of establishing its required level of resources, including its staff resources, and was developing its policies and procedures to adequately support its wider mandate, including its Financial Regulations and Rules, which were approved in April 2011. Therefore, the internal control framework of UN-Women during the year had not fully matured to ensure a consistent application throughout the operations of the entity.

Report on other legal and regulatory requirements

Furthermore, in our opinion, except as discussed in the above paragraph on "emphasis of matter", the transactions of UN-Women that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the entity and legislative authority.

Other matters

The Board found that the four entities that were merged to form UN-Women were not consistent in their interpretation of resolution 64/289 regarding the date of transfer of assets and transferred the assets and liabilities to UN-Women at different dates. UNDP transferred the assets of UNIFEM on 2 July 2010, while the other three entities transferred the balances as at 1 January 2011. Following from the above, the management of UN-Women has reflected the activities of UNIFEM for the period from 2 July 2010 to 31 December 2010 in separate financial statements designated as "UNIFEM (part of UN-Women)", which UN-Women included in the annex to its financial statements for the year ended 31 December 2011.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UN-Women.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
(Lead Auditor)

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

By its resolution 64/289, the General Assembly decided to establish, as a composite entity, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) by consolidating and transferring to the entity the existing mandates and functions of the Office of the Special Adviser on Gender Issues and Advancement of Women, and the Division for the Advancement of Women of the Secretariat, as well as those of the United Nations Development Fund for Women (UNIFEM) and the International Research and Training Institute for the Advancement of Women (INSTRAW), for it to function as a secretariat and also to carry out operational activities at the country level.

The creation of UN-Women came about as part of the United Nations reform agenda, bringing together resources and mandates for greater impact. It builds on the important work of four previously distinct parts of the United Nations system which focused on gender equality and women's empowerment.

The Board of Auditors has audited the financial statements and reviewed the operations of UN-Women for the year ended 31 December 2011. The audit was carried out through field visits to the subregional offices of the entity in Suva and Amman, as well as a review of the financial transactions and operations at Headquarters in New York.

Modified audit report

Emphasis of matter

UN-Women became operational as of 1 January 2011. Without qualifying its opinion, the Board has issued a modified report on its audit of the financial statements for UN-Women for the year ended 31 December 2011, reflecting that the internal control system of UN-Women for operations, projects and programmes oversight had not fully matured during the year to ensure a consistent application throughout the entity's operations. As a result, UN-Women did not have full assurance regarding expenditure incurred through the national implementation modality, as it had not established a centralized system to monitor and report on the results of the nationally implemented expenditures.

Other matters

The Board also highlighted the fact that the four entities that were merged to form UN-Women were not consistent in their interpretation of resolution 64/289 regarding the date of transfer of assets and transferred the assets and liabilities to UN-Women at different dates. UNDP transferred the assets of UNIFEM on 2 July 2010, while the other three entities under the Secretariat transferred the balances as at 1 January 2011. Following from the above, the management of UN-Women has reflected the activities of UNIFEM for the period from 2 July 2010 to 31 December 2010 in separate unaudited financial statements for the activities of UNIFEM (part of UN-Women), which are set out in the annex to the financial statements.

Overall conclusions

UN-Women is a newly established entity and has operated during the financial period without full capacity since its senior management team was appointed only in the second half of the year. Resolution 64/289 provided that UN-Women would be operational from 1 January 2011 and that all activities should continue in accordance with the operational arrangements established before the date of adoption of the resolution until replaced by new arrangements. The Financial Regulations and Rules of UN-Women were promulgated during the period under review, and while the entity has established the majority of its policies and procedures, several policies were under development. Consequently, the internal control environment of UN-Women was not operating consistently and effectively during the period.

The Board found variable levels of compliance in the field and at Headquarters with the basic rules for the conduct of business and significant scope to strengthen field controls and to implement more stringent regional and/or Headquarters oversight and review to improve the management of risks inherent in a globally dispersed organization.

However, the Board noted that UN-Women had completed the field capacity assessment which is the basis for the future minimum structure of field office representation of UN-Women. Furthermore, UN-Women had focused in 2011 on establishing: an internal governance structure that will lead the change management process; a funding structure through budget approval by the governing bodies; a strategic plan that clarifies priorities and direction for operational and normative activities; and an organization that consolidates the culture and working environments of four entities. The Board considers these to be proactive steps to improve the control environment of the organization.

Financial overview

As at 1 January 2011, the closing balances of the four entities that were merged to form UN-Women as at 31 December 2010 were transferred to UN-Women, amounting to total reserves of $246.5 million, comprising assets of $315.6 million and liabilities of $69.1 million.

For the period under review, total income was $236.2 million, and total expenditure amounted to $198.3 million. This resulted in an excess of income over expenditure of $37.9 million.

As at 31 December 2011, UN-Women had total assets of $349.9 million and total liabilities of $66.4 million. Of its total assets, $328.8 million represented balances in cash and investments.

Progress towards the implementation of the International Public Sector Accounting Standards

UN-Women elected to adopt the International Public Sector Accounting Standards (IPSAS) by 1 January 2012, together with the United Nations Development Programme (UNDP), which provides it with treasury, procurement and human resources support, as well as an enterprise resource planning system (Atlas). As its structure mirrors that of UNDP, UN-Women is also adopting the accounting policies of UNDP under IPSAS.

While taking note of the reliance of UN-Women on UNDP for the implementation of IPSAS, the Board is concerned that the implementation of the Standards comes at a time when the entity is still addressing other basic operational and programmatic challenges highlighted in the present report. The Board is concerned about the following risks to the implementation of IPSAS:

(a) UN-Women did not have a detailed IPSAS implementation strategy that sets out the clear objectives, activities and time frames, the areas of risk and envisaged benefits of the implementation. The absence of this strategy has led to a lack of organized and conerent activities towards the implementation of IPSAS;

(b) As of 1 January 2012, UN-Women had not finalized, approved and applied its suite of accounting policies under IPSAS, and, as such, its transactions since 1 January 2012 appear to have been processed under the existing United Nations system accounting standards policies. This may require adjustments at year end to correct the current accounting under the United Nations system accounting standards;

(c) UN-Women is yet to develop IPSAS-based model financial statements and determine some of the IPSAS opening balances; however, data clean-up exercises are under way;

(d) Although global training was carried out throughout the organization in 2011, that level of training is not planned for 2012. Some training has occurred through webinars; however, recurrent user-specific training that will assist users in recording IPSAS transactions has not yet been conducted.

The Board is concerned that these matters may affect the successful implementation of IPSAS by UN-Women.

Financial management

The process used by UN-Women to compile financial statements was not supported by closure instructions that detail the overall financial reporting process, key personnel responsible for the preparation and review of financial statements, the cut-off dates of major activities, verification of the financial information against the supporting schedules and preparation of accounting policy footnotes that are relevant to UN-Women and monitoring of compliance with the accounting framework.

Adequate supporting schedules and analysis would allow management to review and validate that the financial statements are fairly presented, accurately reflect accounting records and are compiled in line with stated accounting policies. Strengthening of the financial statement preparation process would help eliminate some immaterial classification errors that were subsequently corrected by management.

End-of-service liabilities, including after-service health insurance

The actuarial report for end-of-service liabilities indicated the amounts of $27.36 million for after-service health insurance and $5.64 million for repatriation grant. UN-Women accrued only $29.7 million for end-of-service and post-retirement liabilities. Of that amount, $22.3 million represented after-service health insurance, $4.6 million related to unused vacation leave credits, $2.3 million represented repatriation benefits and $0.5 million represented home leave entitlements. However, the entity has made full disclosure of the liabilities in the notes to the financial statements. Also, UN-Women is yet to establish a funding plan for its end-of-service liabilities.

Programme and project management

UN-Women had not updated its policies and procedures relating to programming arrangements and still referred to either UNIFEM or UNDP policies and procedures, resulting in inconsistent application of policies and procedures in the field.

During the year, UN-Women changed its accounting policy on accounting for disbursements to implementing partners. Previously, it expensed disbursements to implementing partners and it changed its accounting policy to account for disbursements as advances until the implementing partners reported expenditure. A total of $58.6 million was implemented through use of implementing partners (national implementation). UN-Women did not have a central mechanism to manage the national implementation modality process and as a result has not monitored centrally the audit certificates that provide it with assurance that the funds were incurred for the intended purposes.

Procurement and contract management

The Board noted that UN-Women did not have proper processes and guidelines to manage supplier contracts and perform vendor evaluations. At field offices there were instances in which at least three quotations from suppliers had not been obtained. The Board is of the view that compliance with the policies and procedures will enhance competition for procurement requirements of UN-Women and allow it to consider value for money in spending decisions.

Non-expendable property

The UN-Women financial statements reflect total non-expendable assets amounting to $7.5 million, which includes assets from two of the four entities merged to form the entity as at 1 January 2011. UN-Women had not performed non-expendable asset verification/certification of the assets transferred from UNIFEM as at 1 January 2011. However, subsequent to the audit, UN-Women provided evidence of certification correspondences.

Oversight and internal audit function

UN-Women has not established an audit committee, which creates a gap in terms of the entity's oversight arrangements. However, UN-Women was in the process of drafting the terms of reference of the Audit Advisory Committee which define its role as "advisory" in nature and confer no oversight responsibility.

The Office of Audit and Investigations and UN-Women did not perform a risk assessment for the entity. The Office of Audit and Investigations continued to use the 2008 UNIFEM risk assessment in formulating its audit plan. Consequently, the audit plan did not include audit areas or functions attributable to UN-Women as a new entity.

Recommendations

The Board has made several recommendations based on its audit. The main recommendations are that UN-Women:

(a) **Revise its internal control frameworks and related policies and procedures to be in line with its Financial Regulations and Rules; finalize and implement all its policies and procedures to adequately support its Financial Regulations and Rules; and set specific timelines for when the amended policies and procedures will be integrated into its systems;**

(b) Develop a plan that defines in detail the activities and timelines to be performed in the process to implement IPSAS; and develop a benefits realization plan that will assist the entity in tracking the achievement of objectives;

(c) Strengthen capacity in all functional areas affected by IPSAS implementation; formulate a project team to oversee the remaining activities of IPSAS implementation and to review the appropriateness of the chosen accounting policies; revise the plan to develop IPSAS opening balances and data clean-up plan; conduct user-specific training once all accounting policies have been reviewed and approved; review its financial statement preparation processes to ensure that they are in line with IPSAS implementation; and develop IPSAS model financial statements;

(d) Develop a comprehensive finance manual and/or procedures detailing the processes and functions required to provide assurance over its financial management function on a monthly, quarterly and yearly basis;

(e) Develop comprehensive year-end closure instructions to support the preparation of accurate financial statements;

(f) Perform regular reviews and reconciliations of all balances and transactions that are included in its financial statements; implement controls to ensure the validity of transactions posted in the system; develop ageing tools for accounts payable and receivables; and perform appropriate age analysis for outstanding balances;

(g) Perform regular reconciliations of inter-agency balances and obtain confirmations prior to the closure of its accounts;

(h) Develop and implement its own policies and procedures to ensure that there is clarity and consistent application of procedures in the implementation of programmes; where it considers the use of other agencies' procedures, develop specific and detailed guidelines on the applicable policies and procedures of such agency after an assessment of whether the policies and procedures of such agency are in line with the Financial Regulations and Rules of UN-Women;

(i) Apply changes in accounting policy consistently from the date of adoption;

(j) Draw lessons from other United Nations agencies on processes to manage the national implementation assurance process and revise the guidelines for managing national implemented projects, develop adequate procedures to enable UN-Women to manage and monitor expenditure incurred by its implementing partners; and develop and maintain a database for tracking projects to be audited and the outcomes of audits;

(k) Follow-up with implementing partners with regard to the submission of annual financial statements and related audit reports;

(l) Improve its project budget management and monitoring procedure to better monitor underspending on projects; and address cause of delays in project implementation to ensure delivery on its mandate;

(m) Implement procedures, supported by guidelines and tools, to perform supplier evaluations as part of procurement functions;

(n) Consider mechanisms to allow it to comply with its policies and procedures regarding the receipt and consideration of sufficient quotes in the procurement of goods and services; and establish an evaluation team with appropriate and sufficient knowledge of the procurement principles to review the bids submitted in accordance with its policies and procedures;

(o) Perform an adequate reconciliation of the asset register to ensure that the balance disclosed in the notes to the financial statements is complete and accurate and that the assets actually exist; and review on a monthly basis the general ledger accounts to identify assets that require capitalization on the asset register;

(p) Review and update the asset register on a regular basis to ensure that it includes all the required information relating to the assets; develop guidance on asset certification which addresses all the weaknesses identified by the Board in the assets verification process to ensure that the asset register is complete and accurate; approve all asset disposals through the delegated levels of authority and maintain supporting documentation; perform the asset disposal process in a timely manner; and use an appropriate system generated asset register to perform asset physical counts;

(q) Expedite the process of filling posts at country and regional offices to have adequate staffing;

(r) Review and reconcile manually recorded leave balances to Atlas reports on a regular basis; ensure that all active staff members' leave balances are uploaded into the Atlas system; and calculate the leave accrual based on the correct and complete year-end leave balances;

(s) Consider the establishment of a properly constituted audit committee to strengthen its governance and oversight arrangements;

(t) Develop a plan based on risk assessment for UN-Women which takes into account the total risks of the new entity as a whole, including Headquarters units;

(u) Develop a detailed action plan to address internal audit recommendations; and regularly monitor progress in implementing internal audit recommendations.

The Board's other recommendations appear in paragraphs 51, 55, 70, 101, 107, 111 and 140.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) for the year ended 31 December 2011 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7), as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UN-Women as at 31 December 2011 and the results of its operations and cash flows for the year then ended, in accordance with the United Nations system accounting standards. That included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of UN-Women. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the UN-Women operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations, which requires the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UN-Women operations.

4. The Board reported the results of its work to UN-Women management in the form of management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with UN-Women management. In that regard, three management letters were issued covering the period under review.

5. UN-Women has outsourced its internal audit function to the Office of Audit and Investigations of the United Nations Development Programme (UNDP). The Board coordinates with the Office of Audit and Investigations in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that can be placed on the latter's work.

6. Where observations in the present report refer to specific locations, such observations are limited only to the locations specified. These observations also do not in any way imply that they are not applicable to other locations, nor do they also exist at other locations. Although the Board observed certain weaknesses in specific locations, some of the recommendations are addressed to the entire entity, as the nature of the findings suggests that they are common to other UN-Women offices and will benefit from transversal remedial action.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from

the Assembly and the Advisory Committee on Administrative and Budgetary Questions. In particular, the Advisory Committee, in its related report (A/65/498, paras. 19 and 20) has recommended that the Board:

(a) Report to the General Assembly on an annual basis on progress in implementation of IPSAS;

(b) Provide, when requested, advice and guidance on matters relating to the interpretation of IPSAS standards.

8. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the present report.

9. The recommendations contained in the present report do not address the steps which UN-Women may wish to consider in respect of officials for instances of non-compliance with its Financial Regulations and Rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Background information

10. In its resolution 64/289, the General Assembly decided to establish the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), to be operational by 1 January 2011. UN-Women was formed by consolidating and transferring the existing mandate and functions of the Office of the Special Adviser on Gender Issues and Advancement of Women and the Division for the Advancement of Women of the Secretariat, as well as those of the United Nations Development Fund for Women (UNIFEM) and the International Research and Training Institute for the Advancement of Women (INSTRAW).

11. Resolution 64/289 defined the period between the date of the adoption of the resolution (2 July 2010) and 31 December 2010 as the transitional period for the entity. During this period, a transitional team, which was supported by a steering committee comprised of directors of all units within the entities and task teams (in information technology, finance and communications), was set up to form UN-Women. The main functions of the transitional team were to facilitate: (a) the realignment of the Headquarters organization chart with the proposal set out by the Secretary-General in his report dated 6 January 2010 (A/64/588); (b) the appointment of an Executive Director for the new entity; (c) the establishment of the Executive Board; (d) the logistical combining of the operations of four entities; (e) the preparation and submission for approval of the voluntary and regular budgets; and (f) the move to new Headquarters premises.

2. Financial overview

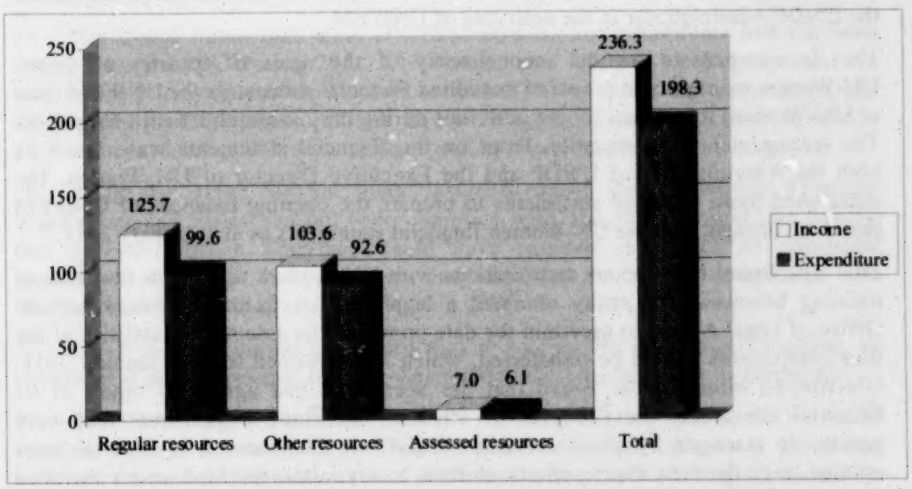
12. As at 1 January 2011, the closing balances as at 31 December 2010 of the four entities that were merged to form UN-Women were transferred to UN-Women, amounting to total reserves of $246.5 million, comprising assets of $315.6 million and liabilities of $69.1 million.

Operating results

13. UN-Women receives three different types of contributions: regular resources ($124.6 million); other resources ($102.6 million); and assessed resources ($7 million). The regular resources received for 2011 exceeded all other resources (earmarked) for the year, indicating that UN-Women has more resources to implement its core mandate.

14. Total income for the period under review amounted to $236.2 million, while total expenditure amounted to $198.3 million, resulting in an excess of income over expenditure of approximately $37.9 million. Income and expenditure for the year are shown in figure II.I. The large excess of income over expenditure, especially in regular resources, is because UN-Women did not start the beginning of the year at full capacity, with staff vacancies being filled during the year.

Figure II.I
Income and expenditure for the year by resource type
(Millions of United States dollars)



Financial position

15. As at 31 December 2011, UN-Women had total assets of $349.9 million and total liabilities of $66.4 million. Of its total assets, $328.8 million represented balances in cash and investments.

3. Formation of the entity and the transitional phase

Transitional arrangements and opening balances

16. By its resolution 64/289, the General Assembly provided for the transfer of the existing mandates, functions and assets of the entities that were consolidated into forming UN-Women, including facilities, infrastructure and liabilities, as well as the contractual arrangements of the four merged entities, upon adoption of the resolution on 2 July 2010. The resolution also decided to dissolve UNIFEM on the same date, and, as such, UNIFEM ceased to exist as at that date. The resolution also

provided for a transitional period from 2 July 2010 to 31 December 2010. During that period, the General Assembly foresaw a need for all the activities of the entities to continue in accordance with the operational arrangements that existed before the adoption of the resolution, until replaced by new arrangements. The Board noted that the four entities, through their legal interpretations of the resolution, had viewed this aspect of the resolution in different ways, and that this had affected the presentation of the financial statements for UN-Women and the respective entities.

17. On the basis of the resolution, three entities (the Division for the Advancement of Women of the Secretariat, the Office of the Special Adviser on Gender Issues and Advancement of Women and INSTRAW) were not dissolved on 2 July 2010, but continued to operate and only transferred their assets and liabilities to UN-Women only on 1 January 2011, the date on which UN-Women became operational.

18. Prior to its dissolution, UNIFEM was one of the funds administered by the Administrator of UNDP. As at 2 July 2010, UNDP transferred all the assets and liabilities of UNIFEM to UN-Women and continued the operational arrangements of the Fund as provided for by the resolution. The Executive Director of UN-Women was also appointed in October 2010, thus resulting in a modification of the role of the UNDP Administrator in the activities of UNIFEM.

19. To compensate for the inconsistency of the dates of transfer of assets, UN-Women management prepared unaudited financial statements for UNIFEM (part of UN-Women) to account for the activities during the six-month transitional period. The management representation letter on the financial statements was signed by both the Administrator of UNDP and the Executive Director of UN-Women. The latter used those financial statements to prepare the opening balances of UNIFEM that were brought into the UN-Women financial statements as at 1 January 2011.

20. The Board had various consultations with UN-Women to address the issue of opening balances. The entity obtained a legal opinion from the United Nations Office of Legal Affairs to ascertain the date on which the assets and liabilities of the four components should be transferred, which it determined to be 1 January 2011. UN-Women informed the Board that the Secretariat had agreed to report in its financial statements the full year of 2010 on the three components that were previously managed by the Secretariat. UNDP, on the basis of its internal legal opinion, took the view that its responsibilities to administer the fund were concluded when the fund was dissolved as at 2 July 2010, and therefore did not account for UNIFEM activities for the full year of 2010.

21. The Board is concerned at the differences in interpretation and application of the same resolution, which ultimately led to a lack of consistent accounting for and presentation of the activities relating to the new entity during the transitional period. UN-Women management has reflected the activities of UNIFEM for the period from 2 July 2010 to 31 December 2010 in separate financial statements entitled "UNIFEM (part of UN-Women)", which have been included in the annex to the UN-Women financial statements for 2011. However, the Board has not found misstatements in the accounts of UN-Women for the period.

Financial regulations and rules, application of policies and procedures

22. The UN-Women Executive Board approved the Financial Regulations and Rules of the entity on 8 April 2011 at its resumed first regular session of 2011, and

they became effective on the same date. The Financial Regulations and Rules govern how the entity deals with its transactions and how it implements its mandate.

23. Paragraph 82 of resolution 64/289 provided for all activities of the entities that were combined to form UN-Women to continue in accordance with operational arrangements established before the formation of UN-Women until replaced by new arrangements. While the transitional period ended on 31 December 2010, as envisaged by the resolution, as at that date, the Financial Regulations and Rules of UN-Women had not yet been promulgated. Consequently, UN-Women continued to apply UNDP Financial Regulations and Rules and UNIFEM policies and procedures beyond 1 January 2011. The Board further observed that even after the approval of its own Financial Regulations and Rules in April 2011, UN-Women continued to apply UNIFEM policies and procedures.

24. The Financial Regulations and Rules define the entity's accountability framework and therefore are used as a basis to formulate the entity's policies and procedures and to design its internal control framework, which assists the entity in ensuring that its activities are carried out in a manner that ensures there is accountability for actions and that activities are duly authorized and delegated.

25. The Board found that some UNIFEM policies and procedures had not been updated since 2007. During 2011, UN-Women used UNIFEM policies procedures and, where possible, supplemented those with UNDP policies and procedures, and the Board found that these policies had been applied interchangeably, without a clear and consistent guidance as to when and how each applied.

26. While the Board has not found instances where the UN-Women Financial Regulations and Rules had not been complied with, the Board would like to note that the environment described could have resulted in a lack of consistent application of policies and procedures that supported the entity's compliance with the Financial Regulations and Rules during 2011.

27. UN-Women informed the Board that it was in the process of changing all policies and procedures that relate to operational and programmatic requirements.

28. **UN-Women agreed with the Board's recommendation that it: (a) revise its internal control frameworks and related policies and procedures to be in line with its Financial Regulations and Rules; (b) finalize and implement all its policies and procedures to adequately support its Financial Regulations and Rules; and (c) set specific timelines when the amended policies and procedures will be integrated into its systems.**

29. UN-Women informed the Board that it had initiated the process to revise its internal control framework and related policies and procedures to be in line with its Financial Regulations and Rules and that it had incorporated into its workplans the necessary implementation timeline.

4. Progress towards the implementation of the International Public Sector Accounting Standards

30. The Advisory Committee on Administrative and Budgetary Questions, in its review of the Board's reports for the biennium 2008-2009, recommended in its report that the Board prepare an annual report on progress towards IPSAS

implementation (A/65/498, para. 19). The recommendation was endorsed by the General Assembly in resolution 65/243 A.

31. UN-Women has elected to adopt IPSAS by 1 January 2012 and decided to follow the UNDP strategy, given that both entities used and shared the same accounting system (Atlas) and that UNIFEM had been administered by UNDP. As its structures are similar to those of UNDP, UN-Women is using the UNDP IPSAS policies as a benchmark in developing its own accounting policies under IPSAS.

32. Given that UN-Women was a newly formed entity, which was in a transitional phase for a major part of 2011, the Board reviewed the status of IPSAS implementation readiness for UN-Women for the first time in April 2012.

Strategic plan and benefits realization plan

33. The Board noted that UN-Women did not have an approved IPSAS strategic plan that sets out clear objectives, processes to address areas of risk and the envisaged benefits of IPSAS implementation. Also, there is risk that the benefits that are to be achieved by implementing IPSAS might not be properly identified, documented and tracked. The Board noted that there was no benefits realization plan in place to assist the entity to better track its objectives in implementing IPSAS.

34. **UN-Women agreed with the Board's recommendation that it: (a) develop a plan that defines in detail the activities to be performed and timelines in the process to implement IPSAS; and (b) develop a benefits realization plan that will assist the entity to track the achievement of its objectives.**

35. UN-Women informed the Board that it had developed a revised plan that defines in detail the activities to be performed and timelines to implement IPSAS, and has developed, in its revised workplan, a benefits realization plan to track the achievement of objectives. Furthermore, UN-Women corresponded with the United Nations IPSAS Task Force regarding a template and measurement tools for the completion of the benefits realization plan and will follow up and document after 31 December 2012 when the first full year of IPSAS implementation is complete and the first financial statements are prepared.

IPSAS implementation risks

36. The Board noted that in 2011, UN-Women had begun preparation activities for IPSAS implementation, including IPSAS risk assessment, system configurations, revision of its Financial Regulations and Rules, the development of accounting policies and some training initiatives. However, the Board was concerned about the number of areas that had not yet been fully addressed, presenting a risk that UN-Women may not successfully implement IPSAS in 2012:

(a) During its preparation and implementation phase, UN-Women did not have a dedicated IPSAS team, except for a project manager and a dedicated consultant who were engaged towards the end of 2010. It also did not have a steering committee responsible for overseeing the project;

(b) As of 1 January 2012, UN-Women had not processed any IPSAS transactions, creating the risk that in order to produce IPSAS-compliant financial statements, it would rely on retroactive journal entries, a process that would expose the entity to the risk of errors, omissions and misstatements;

(c) As at the time of the audit (May 2012), UN-Women IPSAS accounting policies had not yet been approved by the senior management of UN-Women; however, the entity had completed its system configuration process. Given that UN-Women is also in the process of defining its business processes, the Board is concerned that the accounting policies, business processes and systems of the entity will not be aligned. The UN-Women IPSAS implementation budget was set at $300,000; however, the actual expenditure as at the time of the audit was already $861,348, indicating that the entity had underestimated the scale and complexity of the IPSAS implementation project. The Board notes that the amounts spent to date are substantially lower compared with other agencies' spending on IPSAS preparation. There is a risk that UN-Women has underfunded all the activities necessary to implement the standards;

(d) UN-Women is yet to develop IPSAS-based model financial statements and determine some of the IPSAS opening balances; however, data clean-up exercises were under way;

(e) Although global training was carried out throughout the entity in 2011, that level of training is not planned for 2012. Some high-level training in the form of webinars had been conducted; however, user-specific recurrent training that will assist users in effecting IPSAS transactions had not yet been performed;

(f) In the present report, the Board has noted a number of areas that need improvement which could also have an impact on IPSAS, including the lack of an adequate financial statement preparation process, weaknesses in asset management and weaknesses in leave management.

37. UN-Women informed the Board in 2012 that the Financial Regulations and Rules had been revised and were approved by the Executive Board at its annual session of 2012, that system configurations were ready and that extensive global training had been conducted in 2011 and a recurrent training plan would be implemented in 2012. The Board, however, is concerned about the risks to implementation of IPSAS by UN-Women, especially given that the entity is already some six months into IPSAS implementation, these risks are likely to hinder UN-Women's successful implementation if they are not urgently addressed.

38. **UN-Women agreed with the Board's recommendation that it urgently: (a) strengthen capacity in all functional areas affected by IPSAS implementation; (b) formulate a project team to oversee the remaining activities of IPSAS implementation and review the appropriateness of the chosen accounting policies; (c) revise the plan to develop IPSAS opening balances and the data clean-up plan; (d) conduct user-specific training once all accounting policies have been reviewed and approved; (e) review its financial statement preparation processes to ensure that they are in line with IPSAS implementation; and (e) develop IPSAS model financial statements.**

39. UN-Women informed the Board that it had: (a) strengthened its capacity in all functional areas affected by IPSAS by recruiting a Senior IPSAS Project Adviser and additional working-level consultants; (b) strengthened the current IPSAS project team with the inclusion of the Director and Deputy Director of Management and Administration, the Special Adviser to the Executive Director and the Senior IPSAS Project Adviser, which meets on a biweekly basis to review progress and reports weekly to the Executive Director; (c) developed a revised, detailed IPSAS

implementation workplan for opening balances and data clean-up; (d) revised its workplan to include recurrent training for all users and a review of its financial statement preparation processes in line with IPSAS implementation; and (e) revised the timing for development of IPSAS model financial statements.

5. Financial management

Financial statement preparation process

40. The Executive Director of the entity has the responsibility to produce accurate financial statements in accordance with the Financial Regulations and Rules of the entity and the accounting framework applicable to the entity. United Nations entities need adequate processes to enable them to appropriately discharge this responsibility. These procedures generally include the preparation of supporting schedules and analysis to allow for management review, validation that the financial statements were fairly presented, an accurate reflection of accounting records and complied with the stated accounting policies.

41. The Board noted that UN-Women did not have a detailed finance manual but that there was a chapter in the manual on UN-Women which deals with overall guidance on financial management. The chapter did not detail how transactions should be accounted for and did not set out procedures for the closure of accounts and preparation of financial statements.

42. The Board is of the view that the current documents being used by the finance unit and field offices are not sufficient and detailed enough to ensure that all processes required to be performed on monthly, quarterly and annual bases were being performed. This was evident in that the Board identified lack of reconciliations performed on the general ledger and subledgers. Only the balance sheet had a consolidated mapping of accounts to the financial statements, and age analysis of accounts receivables and payables were not performed.

43. The Board also noted some classification errors in the financial statements submitted for audit, which were subsequently adjusted by UN-Women following the audit. The Board is concerned that those errors were not identified by the management review process. However, those matters did not change the overall financial position and financial performance of UN-Women.

44. The Board also noted that the UN-Women financial closure instructions were inadequate as they detailed only the activities to be performed and not how those activities should be performed and did not indicate the person/unit responsible for performing the process or who would be responsible for review and approval. The weaknesses noted are that basic financial statement controls and procedures were not in place, as the shortcomings are an indication of inadequate controls surrounding the preparation of financial statements. As a result, there is a risk that the financial statements may contain misstatements as analysis necessary to ensure accuracy and completeness of financial information might not have been adequately addressed.

45. **UN-Women agreed with the Board's recommendation that it develop comprehensive finance manual/procedures detailing the processes and functions required to provide assurance over its financial management function on a monthly, quarterly and yearly basis.**

46. UN-Women informed the Board that it had commenced the development of the comprehensive finance manual.

47. **UN-Women agreed with the Board's recommendation that it develop comprehensive year-end closure instructions to support the preparation of accurate financial statements.**

48. UN Women informed the Board that revised comprehensive year-end closure instructions are to be developed, and that this is included in the revised detailed IPSAS implementation workplan.

Transactions processed without adequate supporting documents

49. At the Pacific Subregional Office, the Board noted several weaknesses regarding the documentation made available to support transaction activities, including:

(a) Contractors had been paid without appropriate certification of work done;

(b) Salary advances had been paid to staff without appropriate supporting documents to validate the payment;

(c) Lack of reconciliation of expenses incurred from advances provided to project managers for the implementation of projects;

(d) The budget for one programme was used to fund other programmes, owing to lack of funds;

(e) Expenditures were paid on the basis of quotations and not actual invoices.

50. The weaknesses identified are an indication of the lack of basic financial management controls in the field and exposes the Office to risk of unauthorized or fraudulent transactions. UN-Women informed the Board that in the second half of 2011, the Pacific Subregional Office was strengthened through the appointment of an operations manager and the provision of training for staff members involved in the payment process.

51. **UN-Women agreed with the Board's recommendation that it make payments on the basis of the presentation and review of sufficient and appropriate supporting documents.**

52. UN-Women informed the Board that the staff in the office that was highlighted in the recommendation have received training courses in New Delhi in 2011 as part of the IPSAS roll-out and were visited in the country office in January 2012 by two specialists from Headquarters.

Legacy balances from UNIFEM

53. In its previous report on UNDP (A/65/5/Add.1), the Board noted that UNIFEM had historical balances carried over from the pre-Atlas system and recommended that UNIFEM address all legacy system balances. These balances were transferred to UN-Women upon its establishment.

54. In constructing the financial statements for 2010, the Board noted that a net amount of $6,291 was included in miscellaneous income in the financial statements

of UN-Women. The entity aggregated a number of general ledger accounts payable balances of $723,691 with various accounts receivable balances of $717,400. According to UN-Women, the transactional data for the majority of those amounts was pre-2004 and was not available for review or investigation. This aggregation was not in accordance with United Nations system accounting standards, as it amounts to a write-off. The Board noted that the write-off process was not in accordance with the UN-Women Financial Regulations and Rules, which require write-offs of that magnitude to be approved by the Executive Director. The Board has not seen evidence of a proper review and investigation of the accounts receivable and accounts payable balances before the aggregation or write-off was performed.

55. **UN-Women agreed with the Board's recommendation that it: (a) conduct a proper review of transactions subject to write-off in accordance with its policies and procedures; and (b) approve write-offs in accordance with the delegated authority provided in its Financial Regulations and Rules.**

Accuracy and validity of accounts receivable and payable

56. The Board noted that UN-Women did not perform regular review and reconciliation of accounts receivable and payable balances. As a result, the Board noted balances of $567,356 that could not be explained by UN-Women, consisting of the following items: (a) receivables with credit balances of $23,659; (b) an unapplied deposit balance of $107,012 included in accounts receivable; (c) project advances of $61,350 included in the other accounts receivable balances instead of the operating advances to implementing partners accounts; (d) an accounts receivable amounting to $151,346 included in the payables balances; (e) an account called due from/to UN-Women with a balance of $197,964 included in payables; and (f) an inter-fund account with a balance of $18,744 included in accounts payable when this has its own line item in the financial statements.

57. While the discrepancies did not result in material or significant misstatement in the financial statements, they indicate weak financial management controls, and there is a risk that the accounts receivable and accounts payable balances could be misstated.

58. **UN-Women agreed with the Board's recommendation that it: (a) perform regular reviews and reconciliations of all balances and transactions that are included in its financial statements; (b) implement controls to ensure validity of transactions posted in the system; (c) develop ageing tools for accounts payable and receivable; and (d) perform appropriate age analysis for outstanding balances.**

59. UN-Women informed the Board that it: (a) would undertake on an urgent basis the legacy reconciliations inherited from UNIFEM for the years 2005-2010 and write into the detailed finance manual regular reviews and reconciliations of all balance sheet balances which will result in ensuring validity of transactions; (b) had a workplan to develop automated ageing tools for accounts payable and receivable; and (c) would write into the detailed finance manual procedures for regular review of ageing analysis for accounts payable and receivable.

6. Inter-fund balances

60. In its financial statements, UN-Women reflected inter-agency payables of $25.5 million ($24.08 million relating to UNDP, $1.36 million relating to the United Nations Office for Project Services and $50,000 relating to the United Nations Population Fund) and a receivable of $17,000. The Board obtained confirmation of the balances from the respective agencies and noted an unreconciled difference of $1.2 million between the amount disclosed by UN-Women as owing to UNDP and the amount confirmed by UNDP. UN-Women, however, subsequently adjusted its financial statements to reflect the amount confirmed by the Board.

61. The Board attributes the differences to the fact that UN-Women and the respective agency did not perform regular reconciliations of the inter-fund balances and that UN-Women did not obtain confirmations from UNDP prior to the closure of its accounts and preparation of its financial statements. UN-Women informed the Board that it had sent confirmation requests to UNDP; however, UNDP did not confirm the balance until after the transmittal of the financial statements, resulting in the adjustment to the financial statements.

62. **UN-Women agreed with the Board's recommendation that it perform regular reconciliations of inter-agency balances and obtain confirmations prior to the closure of its accounts.**

63. UN-Women informed the Board that it would establish within the finance manual detailed procedures for regular reconciliations of inter-agency balances, including obtaining formal confirmations prior to closure of its accounts.

7. End-of-service liabilities, including after-service health insurance

64. In its resolutions 60/255, 61/264 and 64/241, the General Assembly requested the Secretary-General to accrue, disclose and continue to validate the accrued liabilities for after-service health insurance with figures audited by the Board.

65. The financial statements of UN-Women for the period under review reflected end-of-service and post-retirement liabilities of $29.7 million. Of that amount, $22.3 million represented after-service health insurance, $4.6 million was related to unused vacation leave credits, $2.3 million represented repatriation benefits, and $0.5 million represented home leave allowance.

Disclosure and funding of end-of-service liabilities and after-service health insurance

66. The Board reviewed the actuarial report for end-of-service liabilities which indicated that the liabilities as at 31 December 2011 were $27.36 million for after-service health insurance and $5.64 million for repatriation grant, resulting in a total liability of $33 million. UN-Women accrued only $22.28 million for after-service health insurance and $2.28 million for repatriation grants, as reflected in table II.1.

Table II.1
Accrual of end-of-service liabilities as at 31 December 2011
(In millions of United States dollars)

Details	*Amount per actuarial report*	*Amount accrued*	*Amount not accrued*
After-service health insurance	27.36	22.28	5.08
Repatriation benefits	5.64	2.28	3.36
Annual leave and home leave allowances	5.01	5.01	–
Total	**38.01**	**29.57**	**8.44**

67. UN-Women disclosed the total liabilities outstanding in the notes to the financial statement. United Nations system accounting standards currently allow variable accounting treatment in the recording of end-of-service liabilities consisting of disclosure in the statement of assets and liabilities or in the notes to the financial statements and in accordance with the policy of the organization. The Board notes, however, that this treatment under United Nations system accounting standards is inconsistent.

68. UN-Women informed the Board that the actuarial report for end-of-service liabilities as at 31 December 2011 included a total provision of $20.79 million for active employees that were not yet fully eligible comprising $17.44 million for after-service health insurance and $3.35 million for repatriation grants. On that basis, UN-Women considered that its total accrual of $29.57 million was adequate.

Funding for end-of-service liabilities

69. The Board has previously expressed the view that the recording of end-of-service and post-retirement liabilities in the financial statements called for a comprehensive and effective funding plan (see A/63/169, para. 32). The Board noted that UN-Women did not have a documented funding plan for its end-of-service liabilities, nor did it have assets/investments set aside (ring fenced) to fund the liabilities. A funding plan would include a comprehensive funding strategy that considers the nature of the liability to be funded and nature of investments to be maintained to fund such liabilities as well as the period when such liabilities should be funded. The plan could also include the ring fencing of some assets to be made available for funding of the liabilities. Although UN-Women is yet to establish a funding plan for its end-of-service liabilities, cash and investments of $119.2 million more than adequately cover those liabilities, and monthly provisions for after-service health insurance are being deducted through the payroll in 2012.

70. **UN-Women agreed with the Board's recommendation that it develop a funding plan for its end-of-service liabilities.**

71. UN-Women informed the Board that it would consult with other United Nations agencies with regard to funding its end-of-service liabilities and would develop a funding plan for its end-of-service liabilities in the third quarter of 2012.

8. Programme and project management

Policies and procedures for programmes and project management

72. On its review of the programmes and projects managed by UN-Women, the Board noted that there were no comprehensive updated procedures on programme implementation. UN-Women continued to use the UNIFEM Programmes and Operations Reference Manual for programmes and projects management; at the same time the practice of UN-Women was to revert back to the Programmes and Operations Policies and Procedures of UNDP in cases where the UNIFEM manual did not provide adequate guidance.

73. The Board found that UNIFEM policies and procedures had last been reviewed in 2007 and were therefore outdated. Furthermore, there was no clear and specific guidance detailing exactly which parts of the UNDP policies and procedures should be applied. Also, there was a general lack of knowledge on how to appropriately apply the UNDP policies and procedures. For example, the UNDP programming policies provide for two programming modalities, direct implementation and national implementation. Without clear guidance on which modality UN-Women follows, it is unclear how it applies the UNDP programming policies. The Board considers that the issue of multiple policies and procedures is not isolated to programmes and project management but is evident throughout the operations of UN-Women.

74. Without a clearly defined programming modality for the entity, there is a risk that UN-Women might not be able to implement its programmes effectively and that it might not be able to obtain assurances that its funds were spent as intended, specifically in cases where funds are disbursed to implementing partners.

75. UN-Women informed the Board that it was in the process of updating and revising its own manual on programming and project management and that it would clarify all inconsistencies during this process.

76. **UN-Women agreed with the Board's recommendation that it: (a) develop and implement its own policies and procedures to ensure that there are clarity in and consistent application of procedures in the implementation of programmes; and (b) where it considers the use of procedures applied by other agencies, develop specific and detailed guidelines on the applicable policies and procedures of such agency after an assessment of whether the policies and procedures of such agencies were in line with the Financial Regulations and Rules of UN-Women.**

77. UN-Women informed the Board that it had initiated a process of developing its own policies and procedures and that in so doing, it would endeavour a consistent application throughout the organization.

Change in accounting policy for advances to implementing partners

78. Prior to July 2011, UN-Women expensed all disbursements to implementing partners immediately after payment. As of 1 July 2011, UN-Women changed its accounting policy to account for disbursement to implementing partners as advances and to expense the amounts after it had obtained expenditure reports from the implementing partners. However, the Board noted that UN-Women did not apply the change in accounting policy consistently and appropriately, as the change had been applied to agreements signed with implementing partners after 15 July 2011.

Therefore, disbursements made to implementing partners based on agreements signed before 15 July would be expensed immediately and those disbursements made based on agreements signed after 15 July would be accounted for as advances. The Board considers that the change in accounting policy which applied only to new agreements after 15 July 2011 should have been applied to all agreements after 15 July 2011 for a consistent approach to all advances to implementing partners.

79. **UN-Women agreed with the Board's recommendation that it apply changes in accounting policy consistently from the date of adoption.**

Guidance on audit of projects and programmes implemented by non-governmental organization partners

80. One of the methods used by the United Nations funds and programmes (United Nations agencies) to account for funds disbursed to national implementing partners is to use the advance modality, whereby disbursements are accounted for as advances until implementing partners provide expenditure reports. After funds are disbursed or advanced to implementing partners, United Nations agencies usually seek to obtain assurance that the funds were spent as intended through external audits of projects. The assurance process also helps United Nations agencies to obtain assurance on the control environment of its implementing partners and to assess whether improvements in the capacity of implementing partners is required.

81. The total expenditure incurred through national implementing partners in 2011 was $58.6 million, which represents approximately 42 per cent of the total programme expenditure of $138 million. In April 2011, UN-Women issued guidance to its field offices on how to audit projects and programmes with non-governmental organizations (NGOs).

82. On review of the UN-Women guidance, the Board noted the following weaknesses:

(a) The guidance provided for audit of only NGOs and not projects implemented through governments. UN-Women informed the Board that advances to governments were not significant in relation to advances to other implementing partners;

(b) UN-Women selects projects to be audited based on two criteria: (i) signed agreements for amounts below $300,000 with the required assurance obtained from the audit report of the implementing partner; and (ii) agreements for amounts above $300,000 where implementing partners were required to engage an external audit firm to audit the funds advanced by UN-Women. Both those criteria have the requirement that an audit be conducted at least once in the lifetime of the project and a recommendation that the audit be conducted when there is cumulative expenditure of approximately 70 per cent of the amount specified in the agreement. The Board is of the view that those criteria will not enable UN-Women to obtain the required level of managerial assurance in a given year, as in certain instances 70 per cent of spending would not be achieved until several years had passed. Furthermore, if the audit certificates for the implementing partners alone were received, this may not give assurance on specific UN-Women funds.

83. The Board is of the view that in selecting its thresholds, UN-Women should have considered its desired assurance level and as well as the coverage needed for expenditure subject to this process.

Audit process

84. The Board noted that UN-Women did not have a centralized system and process to manage the audit process for the national implementation modality. An adequate process would fully describe: the population of projects to be audited; how to track which projects should be audited in a particular period; how to receive audit reports in a timely manner; and the monitoring, tracking and review of audit opinions and recommendations received in the audit process. UN-Women informed the Board that the national implementation audit process was managed by the individual project managers in the field; however, there was no formal central mechanism to monitor the process throughout the organization as a whole.

85. The Board is of the view that the assurance obtained by auditing implementing partners should be used by the agency in making key decisions based on the picture for the entity as whole. A centralized database would show management, among other things, the amounts for which there have been no assurance obtained, the magnitude of error, weaknesses of the implementing partners, and which implementing partners lack capacity. Given that UN-Women uses the information provided by implementing partners to process its own transactions, the audit process would also give UN-Women assurance on the validity of the transactions processed.

Terms of reference for financial audit of implementing partners

86. On review of the terms of reference for financial audit of implementing partners, the Board noted that they did not detail important information, including what was the objective of the audit, what was to be audited, items of expenditure to be tested, the period covered by the audit, and other records to be audited.

87. The process followed by UN-Women is not consistent with that followed by other United Nations agencies and has a number of weaknesses. The Board is of the view that UN-Women would benefit from lessons learned by other agencies that follow the national implementation or execution modality.

88. **UN-Women agreed with the Board's recommendation that it: (a) draw on lessons from other United Nations agencies on processes to manage the national implementation assurance process and revise its guidelines for managing national implemented projects; (b) develop adequate procedures to enable it to manage and monitor expenditure incurred by its implementing partners; and (c) develop and maintain a database for tracking projects to be audited and the outcomes of audits.**

89. UN-Women informed the Board that, as a new entity, it had taken on a number of legacy issues from the former UNIFEM, and that during the first operational year of 2011, it had worked towards changing policies to improve processes and to strengthen weaknesses. The change in the accounting policy for advances to implementing partners from 15 July 2011 for all new agreements was a proactive improvement in the previous UNIFEM policy of expensing advances to implementing partners. Furthermore, the new policy required advances to implementing partners to be supported by Funding Authorization and Certification of Expenditures forms, which required that financial statements be submitted before any further advances could be made to that partner. This process was decentralized to the country offices, and UN-Women acknowledges that a central database for monitoring and oversight, as recommended by the Board, would further strengthen the assurances it needs.

90. UN-Women further informed the Board that it would draw on lessons learned from other United Nations agencies and, in line with directions that may come out of the consultative process, would systematize this through the planned regular review of its Programme and Operations Manual and Financial Regulations and Rules, as appropriate. Furthermore, a number of current initiatives are under way, including the strengthening of human resources in the field by posting representatives with technical and management experience and posting operations managers in large field offices. The roll-out of a robust regional architecture with delegated oversight responsibilities closer to the field and the simplification of business processes is intended to address key bottlenecks in the organization. Through the revision of the UN-Women Programme and Operations Manual, UN-Women plans to improve project monitoring, including the monitoring of expenditure by implementing partners. The revised Programme and Operations Manual will be finalized and shared with field offices in late 2012 and will be accompanied by capacity-building efforts to familiarize staff with its contents.

Submission of certified annual financial statements and audit reports by implementing partners

91. At the Arab States Subregional Office in Jordan, the Board noted instances where annual financial statements and audit reports relating to projects had not been submitted by implementing partners. There was also no evidence that the office had followed up with the partners to ensure that the reports were submitted in a timely manner. There were also instances where the last instalment to implementing partners had been paid prior to the submission of audit reports on the project. Without the certified annual financial statements and audit reports, UN-Women will not have the appropriate assurance that advances to implementing partners were utilized for the purposes intended.

92. UN-Women informed the Board that some agreements had been entered into prior to the establishment of the entity and that the costs of audits were not included in the project budgets. The audit guidelines were in the process of being revised to include collaboration with implementing partners on the selection of project auditors.

93. At the Pacific Subregional Office, the Board noted that for the End Violence against Women trust fund, there were certain projects that had been completed without any audits being conducted. UN-Women informed the Board that the total project budgets were so small that the costs of conducting an audit would have exceeded the actual cost of the project and that it was advised of this approach by the UNDP office of Audit and Investigations. The Board is of the view that without conducting audits, UN-Women would not obtain assurance that the funds were spent as intended.

94. **UN-Women agreed with the Board's recommendation that it follow up with implementing partners with regard to the submission of annual financial statements and related audit reports.**

95. UN-Women informed the Board that it would implement a centralized system to monitor and oversee the submission of implementing partner annual financial statements and related audit reports. Furthermore, UN-Women will organize training on audit requirements and follow-up for field staff.

Underspending on projects in 2011

96. The Board noted that some projects in UN-Women had underspent less than 50 per cent of the allocated project budgets for 2011. UN-Women informed the Board that there were various reasons for the underspending, including:

(a) Upon the dissolution of the four components that formed UN-Women and before it was operational, there was no delegated authority to approve activities, and thus no implementation had occurred. Also, in the first few months of 2011, there were delays in the receipt of funds from the Secretariat, and the identification and selection of project staff took time;

(b) In some countries, the change of government and internal delays from financial and legal units of UN-Women caused delays in operating activities;

(c) In some projects the budget had been approved on the basis of an estimate; however, the cash was not actually received in 2011.

97. **UN-Women agreed with the Board's recommendation that it: (a) improve its project budget management and monitoring procedure to better monitor underspending on projects; and (b) address the cause of delays in project implementation to ensure delivery on its mandate.**

98. UN-Women informed the Board that it was currently implementing a number of improvements in project management and project delivery. Firstly, it has undertaken a process of simplifying existing operational and programming arrangements drawing on lessons from other agencies and as considered appropriate for UN-Women given its mandate. Secondly, it is strengthening field offices through: (a) the increased delegation of programme and operational responsibilities to the country and regional offices; (b) the strengthening of the human resources components of country and regional offices; and (c) the roll-out of a regional architecture, with programme and operations oversight delegated to regional offices headed by regional directors. These arrangements will be supported by additional capacity-building measures, such as an upcoming leadership training session and certification for personnel in key areas of operations and administration to allow delegation of functions.

Project closure in Atlas

99. The Board reviewed the status of all the projects for UN-Women and noted that a number of projects (awards) had been operationally closed but were not yet financially closed within the required 12-month period, as required by project management policies and procedures.

100. Delays in the financial closure of projects result in: (a) delayed reporting to donors; (b) increased risk of unrelated expenditure being charged to closed projects or late project costs not being captured; (c) delays in the transfer of project assets to recipients; and (d) delays in the refunding or reprogramming of surplus funds.

101. **UN-Women agreed with the Board's recommendation that it perform financial closure of all operationally closed projects within 12 months of operational closure.**

102. UN-Women informed the Board that it would implement a centralized system to monitor and oversee the financial closure of all operationally closed projects

within the required time frame and that it had appointed a project team to clear legacy projects inherited from UNIFEM.

Implementation of the UN-Women strategic plan and late submission and approval of the subregional strategic note

103. Strategic planning is the process of defining an organization's direction and allocating its available resources to pursue the strategy. The strategic plan allows UN-Women to implement its mandate and identify its objectives for a specific period and also allows field offices to align their objectives to the global strategy of the entity.

104. At the subregional/field office level, UN-Women utilizes strategic notes (which detail various activities to achieve the outcomes as per the strategic plan) to implement its strategic plan and to track its progress. The Board noted that although the Executive Board had approved the UN-Women strategic plan for 2011-2013 in July 2011 (applicable retroactively from 1 January 2011), during the year 2011 UN-Women continued to use UNIFEM strategic notes, which were based on the mandate of UNIFEM. Accordingly, there was no visible evidence of how the mandates of the other three components combined to form UN-Women had been implemented during 2011.

105. The Board noted that the 2012 annual workplans and the subregional strategic plan for the Pacific Subregional Office had been submitted to Headquarters for approval in January 2012 and were approved by Headquarters in February 2012. However, the Subregional Office had started implementing the activities contained in those annual workplans despite the fact that they had not yet been approved. As the performance cycle for UN-Women starts at the beginning of January each year, the Board considers that the annual workplans should be approved before the start of the performance cycle. Given that certain funding for additional staffing, operations and programming requires the submission of the annual workplan/strategic note, there is a risk that the Subregional Office may not have sufficient funding to perform all its programmes as originally planned or commit funds before approval by Headquarters.

106. The Board is of the view that since the strategic plan was approved in June 2011, UN-Women had sufficient time to plan for activities in 2012. However, the Board notes that given the complexity of the new process and the fact that this is the first time that UN-Women has implemented a corporate approach to strategic planning, involving both Headquarters and field offices, the process necessitated wider consultations and the approval of Headquarters before its implementation. UN-Women informed the Board that from December 2011 to March 2012, it had approved 57 field office annual workplans.

107. **UN-Women agreed with the Board's recommendation that it strive to complete the annual workplan approval process before the start of the performance cycle.**

108. UN-Women stated that while it recognized the desirability of completing annual workplans before the end of the year preceding the performance cycle, it is not unusual for annual workplans to be completed in the first two months of the year of implementation. This is generally owing to difficulties in conducting discussions and reaching agreement with partners, particularly government partners, given their own end-of-year priorities. However, UN-Women will continue to strengthen its

efforts to complete annual workplans in advance of the year of implementation. With 2011 having been a transition year, UN-Women anticipates that it will be able to accelerate the process in future years.

9. Procurement and contract management

Procurement planning

109. The Board noted that UN-Women did not have a consolidated organization-wide procurement plan; it had only individual project procurement plans that were prepared as part of annual workplans. The lack of a formalized consolidated procurement plan could lead to procurement delays and loss of opportunity in consolidating procurement needs into systems contracts to get best value for money.

110. UN-Women informed the Board that in 2012, the Division of Management and Administrative Services had started the use of procurement plans to collect and consolidate procurement requirements.

111. **UN-Women agreed with the Board's recommendation that it develop and implement a consolidated procurement plan that is approved and regularly reviewed by the appropriate authority.**

112. UN-Women stated that it acknowledged that procurement planning was an essential instrument to achieve proper levels of planning and, thus, more efficient and effective programme implementation.

113. UN-Women informed the Board that in support of procurement planning, it had started to analyse and consolidate procurement requirements, and that in the beginning of 2012, the Division of Management and Administrative Services had introduced the requirement that substantive departments at Headquarters submit their procurement plans for 2012. This activity is expected to be completed by 31 July 2012, and for 2013, any such plan will be requested from every regional centre/country office in addition to Headquarters.

Supplier evaluations

114. The Board noted that UN-Women did not have a proper process in place or guidelines to manage supplier contracts and perform vendor evaluations. Procurement within UN-Women was decentralized to each individual unit, and, in this context, it was the responsibility of each unit to perform supplier evaluations. In the Board's view, it was not clear how the respective units would perform such evaluations without guidelines on how this should be done. UN-Women informed the Board that in relation to the Pacific region, it would be impossible in some instances to source three acceptable quotes given the limited number of suppliers owing to population sparsity and geography.

115. UN-Women indicated that it was in the process of creating and implementing vendor evaluation forms that would then be distributed to all sections/units. The Board acknowledges the plans to implement supplier evaluation forms; however, it is of the view that the collected information needs to be reviewed and used in decisions regarding future procurement transactions. UN-Women therefore needs a well-coordinated and structured process that ensures that there is adequate action taken with regard to non-performing vendors identified in its processes.

116. The Board was of the view that the current process exposes UN-Women to greater risk of continuing to work with poorly performing vendors, which may result in financial losses and delays in the implementation of projects.

117. **UN-Women agreed with the Board's recommendation that it implement procedures, supported by guidelines and tools, to perform supplier evaluations as part of procurement functions.**

118. UN-Women stated that while it already had an accountability framework for contract award and management, it acknowledged the requirement to further strengthen its supplier performance evaluation role and that to more strongly enforce financial rule 2411, by 30 September 2012, supplier performance at UN-Women would be measured based on the performance indicators.

Inadequate procurement process

119. In the Pacific Subregional Office, the Board noted instances where the Office did not obtain three quotations from suppliers, as required, and did not have an evaluation team to evaluate bids. The submission of at least three quotations helps create competition for the procurement needs of UN-Women, which in turn helps achieve good value for money and reduces the risk of fraud.

120. **The UN-Women Pacific Subregional Office agreed with the Board's recommendation that it: (a) consider mechanisms to allow it to comply with its policies and procedures regarding the receipt and consideration of quotes in the procurement of goods and services; and (b) establish an evaluation team with appropriate and sufficient knowledge of the procurement principles to review the bids submitted in accordance with its policies and procedures.**

121. UN-Women informed the Board that the Procurement Unit would contact the respective office to reiterate the requirement for a sufficient number of quotations or, if those cannot be obtained, the use of appropriate exception/waiver mechanisms and documentation thereof. Furthermore, it had issued instructions to the respective unit introducing, explaining and mandating the establishment of bid evaluation teams wherever procurement authority has been granted as per the UN-Women configuration of approval authority document of 22 June 2011.

10. Non-expendable property management

122. Non-expendable property consists of property, plant and equipment valued at $1,000 or more per unit at the time of purchase with a serviceable life of three years or more. As disclosed in note 10 to the financial statements, the value of non-expendable property of UN-Women as at 31 December 2011 was $7.5 million.

Opening balances and asset discrepancies

123. UN-Women started operations on 1 January 2011 and inherited non-expendable property in the amount of $5.9 million from UNIFEM and $0.3 million from INSTRAW.

124. The Board noted that UN-Women had performed asset verifications/certifications for INSTRAW, but not for UNIFEM, before the detailed information relating to assets was loaded onto the UN-Women Atlas assets management system.

However, subsequent to the audit, UN-Women did provide evidence of certification correspondences.

125. UN-Women informed the Board that one of the challenges it faced was that it had not yet completed the asset conversion process, so a few adjustments were still required to reconcile its combined asset register back to the closing balances as at December 2010 from the three entities. The Board is of the view that this confirms that management has not satisfied itself as to the accuracy, completeness and existence of assets disclosed in the financial statements.

126. **UN-Women agreed with the Board's recommendation that it: (a) perform an adequate reconciliation of the asset registers to ensure that the balance disclosed in the notes of the financial statements is complete and accurate and that the assets actually exist; and (b) review on a monthly basis the general ledger accounts to identify assets that require capitalization onto the asset register.**

127. UN-Women informed the Board that it had conducted a thorough certification and verification as at 31 December 2011, and that the new IPSAS asset management module manual and detailed finance manual would detail procedures for reconciliation of asset registers to the general ledger on a monthly basis and at year end to financial statements. Furthermore, UN-Women would now perform six monthly certifications of all assets and would be reconciling the general ledger to the asset management system on a monthly basis.

Asset verification and register

128. During audits at field offices and at Headquarters, the Board noted inadequate asset verification procedures and asset register maintenance, including the following instances:

(a) Furniture equipment had not been recorded into the asset register;

(b) Assets identified for disposal valued at $12,000 had not been disposed of in a timely manner;

(c) Assets had been transferred to a third party for storage without proper asset movement documents having been completed;

(d) Annual certification was performed using spreadsheets and not a system generated asset register;

(e) The register included assets with negative values;

(f) Some assets did not have tag numbers, and in other instances tag numbers had not been recorded in the fixed asset register;

(g) Asset locations per the system did not agree with physical locations;

(h) Certain assets could not be physically verified;

(i) Certifications from field offices were not signed by the appropriate authority.

129. The weaknesses identified in asset management are an indication of a lack of effective asset management controls to ensure and safeguard the management of assets.

130. **UN-Women agreed with the Board's recommendation that it: (a) review and update the asset register on a regular basis to ensure that it includes all the required information relating to the assets; (b) develop guidance on asset certification that addresses all the weaknesses identified by the Board in the asset verification process to ensure that its asset register is complete and accurate; (c) approve all asset disposals through the delegated levels of authority and maintain supporting documentation; (d) perform the asset disposal process in a timely manner; and (e) use an appropriate system generated asset register to perform asset physical counts.**

131. UN-Women informed the Board that it had: (a) included in the revised IPSAS workplan the finalization of the new IPSAS asset management procedures manual, which includes monthly review and update of the asset register as well as biannual asset verification procedures, and delegated levels of authority; (b) developed new asset management forms that clearly identify delegated levels of authority; and (c) revised the asset manual to require asset disposal to be recorded and reviewed monthly and that in-service reports be run, at a minimum, biannually.

11. Human resources management

UN-Women field capacity

132. The proposal for the formation of UN-Women (see A/64/588) envisaged that the entity would have a substantial field/country presence. On review of the structure and staffing of UN-Women, the Board noted that as at 31 December 2011, there were 435 staff members, 280 (64 per cent) were staff based in the field, and 155 (36 per cent) were based at Headquarters; however, the majority of the appointments had been made in the last quarter of 2011. As at 1 January 2011, UN-Women had only 287 staff members, indicating that the entity did not have adequate capacity throughout the year to respond effectively to all operational and programmatic requirements.

133. UN-Women conducted a field capacity assessment early in 2011, which determined that for the entity to execute its mandate effectively, it required at least six staff members per country office and that each office should have an accredited representative at a level commensurate with other United Nations representatives (minimum level of P-5) in order to engage effectively with governmental and non-governmental counterparts. The Board noted that only 19 out of 85 offices (22 per cent) met the minimum requirement of six staff members, and that there were only 25 staff members at the P-5 level and 4 at the D-1 level for all country offices.

134. The field capacity assessment report indicated that only 40 per cent of governments and 36 per cent of United Nations agencies considered UN-Women to have adequate technical capacity, particularly in applying gender expertise to specific sectors of the work of the Organization. The Board is of the view that this limits UN-Women in carrying out its envisaged mandate.

135. UN-Women informed the Board that as part of the transition and the initial change management process, the filling of posts in 2011 had been based on a phased approach. The first phase, which focused on Headquarters positions, was fully completed in 2011. The second phase, focusing on field-based positions, is intrinsically linked to the outcome of the regional architecture analysis and the

related change management process. Recruitment for all international Professional positions approved by the Executive Board for 2011 was fully completed, and further recruitments have already been initiated based on the positions approved by the Executive Board for 2012-2013. Additional recruitment will be undertaken and fast-tracked to fill positions that will be approved as part of the regional architecture for UN-Women, which is being reviewed by the Executive Board.

136. **The Board recommends that UN-Women expedite the process of filling posts at country and regional offices to have adequate staffing.**

137. UN-Women stated that, according to his report on human resources management reform dated 1 August 2000 (A/55/253 and Corr.1), the Secretary-General determined a maximum target of 120 days to fill posts through effective human resources planning. The recruitment processing time of UN-Women is among the fastest (average 3.5 months) within the United Nations system. A total of 119 recruitments were finalized in 2011, which included all senior management positions.

Payroll validation

138. UN-Women has outsourced the payroll function to UNDP whereby the latter processes the payroll and makes postings to the UN-Women general ledger as well as makes payments to staff. UNDP processes the payroll based on information provided by UN-Women. It is the responsibility of UN-Women, however, to ensure that the information is accurate and complete.

139. UN-Women informed the Board that per the service level agreement with UNDP, the responsibility for oversight and monitoring of payroll rested with UNDP. The Board is of the view that such an arrangement did not transfer all the responsibilities of ensuring the accuracy, validity and completeness of transactions and data to UNDP. Thus, there was a need for UN-Women to validate the information generated or maintained by UNDP.

140. **UN-Women agreed with the Board's recommendation that it perform validation checks on the payroll information that is submitted to UNDP to ensure that it is valid, accurate and complete.**

141. UN-Women informed the Board that it would request UNDP to establish a separate payroll for UN-Women which can be accessed by authorized staff of the entity, and that a payroll specialist would be engaged by UN-Women to perform regular validation checks on a monthly basis.

Discrepancies on annual leave balances exist between manual records and Atlas

142. The balance of leave accrual as at 31 December 2011 amounted to $5.1 million, including home leave allowance. The balances maintained by UN-Women in its systems are used in the calculation of this liability. During the visits to field offices and at Headquarters, the Board noted that there were differences between leave balances per the manual records and leave management system which was used to calculate the leave accrual accounted for in the financial statements. The Board noted that some staff members with leave balances had been excluded from the leave accrual calculation. The Board also noted that the leave schedule had staff members with credit or negative leave balances, and indicated that the balances needed to be reviewed.

143. The leave balance discrepancies could result in the misstatement of the total leave liability accrued in the accounts of UN-Women. Due to the varying nature of the discrepancies, however, the Board could not extrapolate the error. As UN-Women is also implementing IPSAS in 2012, there is a risk that the IPSAS opening balances could be misstated.

144. **UN-Women agreed with the Board's recommendation that it: (a) review and reconcile manual leave balances with Atlas reports on a regular basis; (b) ensure that the leave balances of all active staff members are uploaded into the Atlas leave system; and (c) calculate the leave accrual based in the correct and complete year-end leave balances.**

145. UN-Women informed the Board that: (a) designated leave monitors are trained regularly and made aware of the importance and implications of reconciling the manual leave records and Atlas records and the related IPSAS implications, and regular checking would be undertaken by UN-Women through designated focal points for Headquarters and the field; (b) with the strengthening of its field presence, the leave monitoring process for country offices would be managed in-house by operations managers directly, thereby ensuring direct oversight of the process; and (c) the new detailed finance manual would set out procedures to ensure that leave accruals are based on certified balances.

12. Oversight and the internal audit function

Appointment of an audit committee

146. Governance can be defined as the combination of processes and structures implemented by the Organization to inform, direct, manage and monitor the activities of the Organization towards the achievement of its objectives. Oversight is an integral part of the system of governance to provide assurance that the activities of the Organization are in accordance with the legislative mandates and are conducted in the most efficient and effective manner; that all funds are fully accounted for; and that staff adhere to the highest standards of professionalism, integrity and ethics. Through the implementation of relevant General Assembly resolutions, most United Nations organizations have well-established internal and external oversight structures, albeit with varying compositions, mandates and terms of reference.

147. UN-Women has not established an oversight structure in the form of an audit committee, and this absence creates a gap in terms of the entity's oversight arrangements.

148. **The Board recommends that UN-Women consider the establishment of a properly constituted audit committee to strengthen its governance and oversight arrangements.**

149. UN-Women informed the Board that a search committee to identify members of the future UN-Women Audit Advisory Committee has been established. The Committee will be established during the fourth quarter of 2012. The terms of reference of the Committee are in line with standard United Nations system practice and were vetted by the UNDP Office of Audit and Investigations prior to their approval by the Executive Director of UN-Women.

Internal audit function

150. UN-Women does not have its own internal audit function; this function is outsourced to the UNDP Office of Audit and Investigations in terms of a signed service level agreement.

151. The Board coordinated with the Office of Audit and Investigations in the planning of the audit to avoid duplication of effort. In addition, the Board reviewed the internal audit coverage by the Office of Audit and Investigations of the operations of UN-Women to assess the extent to which it could rely on its work.

Audit plan and risk assessment

152. The Board noted that the Office of Audit and Investigations and UN-Women had not performed a risk assessment for UN-Women, and that the Office of Audit and Investigations continued to use the UNIFEM risk assessment that was performed in 2008. Consequently, the internal audit plan for 2011 covered only four subregional office audits (in Afghanistan, Barbados and the Slovak Republic, and a follow-up audit in Brazil).

153. The internal audit plan did not include audits of areas or functions attributable to UN-Women as a new entity. As UN-Women was a new entity that had new organizational structures and would be preparing separate financial statements for the first time, the Board is of the view that the plan for 2011 should have been more focused on areas such as: the appropriateness of the reporting structures and the policies and procedures being applied by the organization; the process of combining the four components that created UN-Women; and the financial statement preparation process of the entity.

154. The Board considers that UN-Women was a new entity, and therefore its risks were different from that of UNIFEM given the extended mandate of UN-Women compared with that of UNIFEM.

155. The Office of Audit and Investigations informed the Board that in 2011 UN-Women was still in transition mode with the organizational structure not yet firmly established and many key positions still unencumbered; thus, it would have been premature to perform a UN-Women risk assessment. Furthermore, in 2011, audit services were provided by the Office of Audit and Investigations on an interim basis, and the new service level agreement was signed with UN-Women only in December 2011, thus creating the need for a new risk assessment for UN-Women. The new risk assessment process is scheduled to commence in mid-June 2012.

156. **The Office of Audit and Investigations agreed with the Board's recommendation that it develop a plan based on a UN-Women risk assessment that takes into account the total risks of the new entity as a whole, including Headquarters units.**

157. UN-Women informed the Board that the risk assessment process had commenced on 15 June 2012. As at 10 July 2012, 22 managers and senior managers had been interviewed, and two workshops with a combined attendance of approximately 20 people had been run. Further interviews and workshops are planned through July, and a draft report of findings will be available by 31 August 2012. The findings and recommendations will form the basis of an organization-wide risk management plan for UN-Women.

13. Internal audit findings

158. The Office of Audit and Investigations issued two audit reports and one follow-up audit report during 2011. The audits conducted were for two subregional offices; the Caribbean Office, which received a partially satisfactory rating, and the Europe and Central Asia Office, which received a satisfactory rating. The satisfactory rating means that internal controls, governance and risk management processes were adequately established and functioning well, whereas the partially satisfactory rating means that the controls were generally established and functioning but needed improvement.

159. The scope and objectives of the audits by the Office of Audit and Investigations assessed: the adequacy and effectiveness of governance, risk management and control processes in order to provide reasonable assurance to the Executive Director of UN-Women regarding the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations; the safeguarding of assets; and compliance with legislative mandates, regulations and rules, and policies and procedures.

160. The overall findings that were common in both offices were as follows:

(a) Organizational and staffing structures and reporting lines were not optimal. The majority of staff were reporting directly to the regional programme director on programmatic and operational matters, thus reducing the time available for strategic positioning, planning and resource mobilization for the region. Also, more than 50 per cent of the individuals employed to carry out programme activities were either service contractors or had been retained on special service agreements;

(b) There was no clear policy on cooperation with governmental and non-governmental institutions, The decision on which type of contract to be used and how to engage the partner was discussed on a case-by-case basis, resulting in delayed initiation. No clear corporate instruction had been issued on which type of contractual modality to use for cooperation with governmental and non-governmental organizations;

(c) Risk registers and risk management policies were lacking;

(d) The guidelines issued by Headquarters for determining the measurable targets of the subregional strategy were lacking, in that there was no clear guidance as to the goals against which progress could be objectively measured;

(e) Financial reports from implementing partners were not submitted on time;

(f) Capacity assessments of government institutions to be used as implementing partners were not always conducted prior to project initiation;

(g) There were shortcomings in the process of procuring staff through special service agreements.

161. **The Board shares the recommendations contained in the reports of the Office of Audit and Investigations and underscores the need for UN-Women to address the matters highlighted.**

162. UN-Women informed the Board that it was in the process of recruiting an audit coordinator who would follow up on the implementation of audit recommendations.

Internal audit recommendations

163. On review of the status of outstanding recommendations as at 31 December 2011 for internal audit reports issued from July 2010 to 31 December 2011, the Board noted that 37 recommendations had been outstanding for more than 12 months without having been addressed by UN-Women. Furthermore, the service level agreement with the Office of Audit and Investigations did not provide for UN-Women to prepare an action plan on how internal audit recommendations were to be addressed. The preparation of an action plan will assist UN-Women in addressing the recommendations of the Office of Audit and Investigations in a timely manner.

164. The Office of Audit and Investigations informed the Board that some of the recommendations made in the field offices required Headquarters intervention. UN-Women informed the Board that most of the recommendations were related to the structural arrangements of field offices and to policies and procedures, which Headquarters was in the process of addressing. When internal audit recommendations are not timely addressed, there is a risk that internal control weaknesses may not be timely addressed and required actions put into place.

165. **UN-Women agreed with the Board's recommendation that it: (a) develop a detailed action plan to address internal audit recommendations; and (b) regularly monitor progress in implementing them.**

166. UN-Women informed the Board that a dashboard would be created and monthly feedback given to senior management to ensure that critical areas are addressed as a matter of urgency. UN-Women will update its managers on a regular basis on the status of implementation of audit recommendations with specific measures for follow-up.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

167. UN-Women reported that in accordance with regulation 21.1, it had written off $58,598 relating to the consolidation of INSTRAW, the Division for the Advancement of Women, the Office of the Special Adviser on Gender Issues and Advancement of Women and UNIFEM. The write-off related to contributions receivable and cash that was never received from the Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women. It also wrote off legacy balances from UNIFEM (UNDP) in accounts receivable of $723,691 and accounts payable of $717,400.

2. Ex gratia payments

168. UN-Women reported that it had not made any ex gratia payments in accordance with regulation 20.6 of its Financial Regulations and Rules.

3. Cases of fraud and presumptive fraud

169. UN-Women reported that it did not have any cases of fraud or presumptive fraud.

D. Acknowledgement

170. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and her staff.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa
(Lead Auditor)

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Chapter III
Financial report for the year ended 31 December 2011

1. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) was created through General Assembly resolution 64/289 as part of the United Nations reform agenda. UN-Women consolidated and built upon the work of four previously distinct parts of the United Nations system which focused exclusively on gender equality and the empowerment of women, namely the Division for the Advancement of Women, the International Research and Training Institute for the Advancement of Women (INSTRAW), the Office of the Special Adviser on Gender Issues and Advancement of Women, and the United Nations Development Fund for Women (UNIFEM).

2. The objective of the establishment of UN-Women was to better pursue and accelerate progress in achieving the goals of the United Nations on gender equality and the empowerment of women. UN-Women was envisaged as a new type of entity, combining normative and operational functions to work through the United Nations system as a whole to achieve its results. In accordance with paragraph 82 of resolution 64/289, since UN-Women became operational only on 1 January 2011, all activities of the four composite entities continued in accordance with the operational arrangements established before 2 July 2010 until replaced by new arrangements.

A. Presentation of the accounts

3. The Executive Director has the honour to submit the first ever financial report for the year ended 31 December 2011, together with the audited financial statements of UN-Women for the year ended 31 December 2011. This submission is made in conformity with the Financial Regulations and Rules of UN-Women. The financial statements consist of statements and schedules, accompanied by notes, which are an integral part of the financial statements, and also include as an annex the financial statements for the United Nations Development Fund for Women (UNIFEM part of UN-Women) for the six-month period ended 31 December 2010. The accounts for the Division for the Advancement of Women, the Office of the Special Adviser on Gender Issues and Advancement of Women and INSTRAW for the period ended 31 December 2010 have been included in the financial statements of the United Nations.

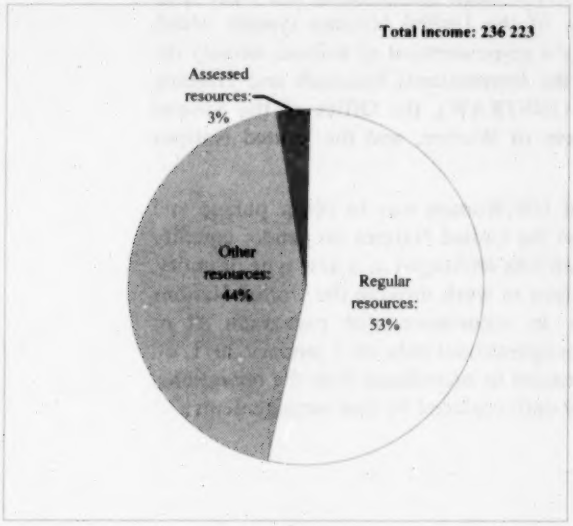
B. Income and expenditure

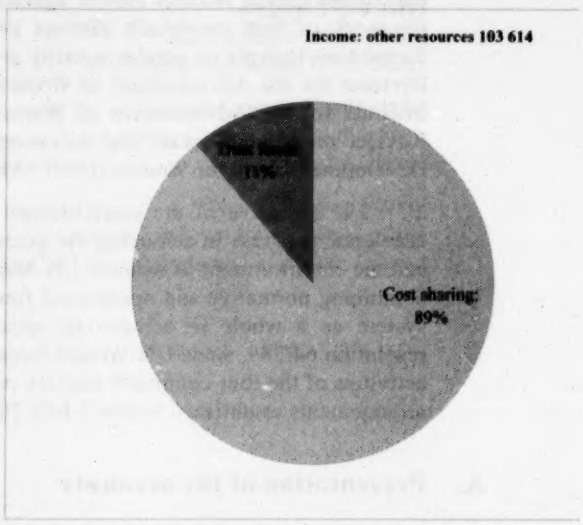
4. In its first year of operations, UN-Women received total income from all sources of $236,223 thousand and had total expenditure of $198,315 thousand, resulting in income over expenditure of $37,908 thousand, which when added to the fund balances transferred from UNIFEM, INSTRAW, the Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women of $224,493 thousand and reducing by refunds to donors of $950 thousand, resulted in the fund balance as at year end of $262,451 thousand.

Income

5. Total income from all sources amounted to $236,223 thousand, and the charts below show the breakdown between different types of income.

(Thousands of United States dollars)

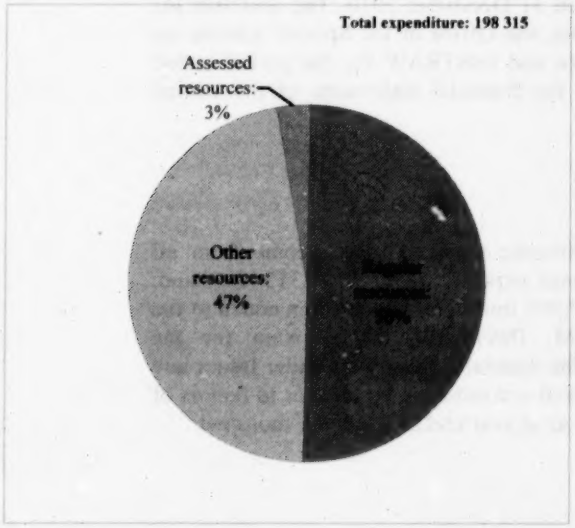


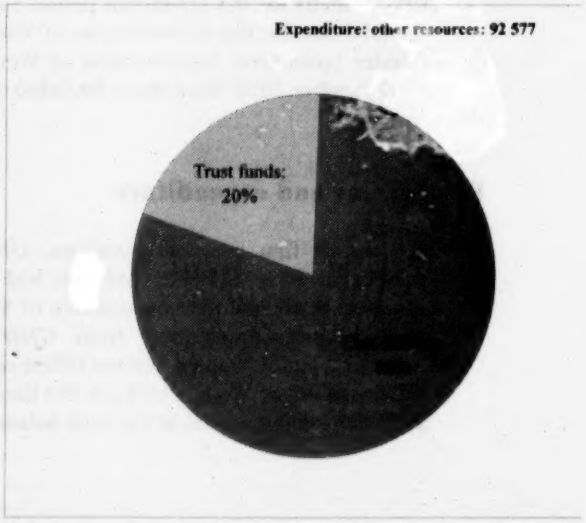


Expenditure

6. Total expenditure in all areas amounted to $198,315 thousand, and the charts below show the breakdown between the different areas of expenditure.

(Thousands of United States dollars)





Assets, liabilities, reserves and fund balances

7. At year end, UN-Women had total assets of $349,862 thousand and liabilities of $66,441 thousand, resulting in total reserves of $283,451 thousand, representing operational reserves of $21,000 thousand and unexpended reserves of $262,451 thousand.

Chapter IV
Financial statements and schedules

A. Financial statements for the year ended 31 December 2011

Statement I

Income and expenditure and changes in reserves and fund balances for the year ended 31 December 2011

United Nations Entity for Gender Equality and the Empowerment of Women

(Thousands of United States dollars)

		Regular resources	*Other resources*	*Assessed resources*	*Total*
Income					
Assessed contributions	(schedule 1 and note 3 (c))			6 957	6 957
Voluntary contributions	(schedule 1 and note 3 (c))	124 615	102 561		227 176
Support costs and other income	(note 4)	403	395		798
Interest income		634	658		1 292
Total income		**125 652**	**103 614**	**6 957**	**236 223**
Expenditure					
Programme	(schedule 2)	53 625	84 433		138 058
Support budget	(statement IV)	46 006	8 144		54 150
Regular budget	(statement IV)			6 107	6 107
Total expenditure		**99 631**	**92 577**	**6 107**	**198 315**
Excess (shortfall) of income over expenditure		**26 021**	**11 037**	**850**	**37 908**
Fund balances transferred to UN-Women	(note 2)	14 872	210 621		225 493
Refunds to donors			(950)		(950)
Fund balance as at 31 December 2011		**40 893**	**220 708**	**850**	**262 451**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement I.I
Other resources

Income and expenditure and changes in reserves and fund balances for the year ended 31 December 2011
United Nations Entity for Gender Equality and the Empowerment of Women
(Thousands of United States dollars)

		Cost-sharing	*Trust funds*	*Support costs and other income*	*Elimination items (note 3(f))*	*Total*
Income						
Voluntary contributions	(schedule 1 and note 3 (c))	91 371	11 190	–	–	102 561
Support costs and other income	(note 4)	3	–	9 302	(8 910)	395
Interest income		202	456	–		658
Total income		**91 576**	**11 646**	**9 302**	**(8 910)**	**103 614**
Expenditure						
Programme	(schedule 2)	75 100	18 243	–	(8 910)	84 433
Support budget		–	–	8 144	–	8 144
Total expenditure		**75 100**	**18 243**	**8 144**	**(8 910)**	**92 577**
Excess (shortfall) of income over expenditure		**16 476**	**(6 597)**	**1 158**	**–**	**11 037**
Fund balances transferred to UN-Women	(note 2)	100 296	91 321	19 004	–	210 621
Refunds to donors		(872)	(69)	(9)	–	(950)
Fund balance as at 31 December 2011		**115 900**	**84 655**	**20 153**	**–**	**220 708**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement II

Assets, liabilities, reserves and fund balances as at 31 December 2011

United Nations Entity for Gender Equality and the Empowerment of Women

(Thousands of United States dollars)

		Regular resources	*Other resources*	*Assessed resources*	*Total*
Assets					
Cash and investments	(note 5)	119 166	208 688	926	328 780
Operating funds provided to implementing partners	(note 3 (f))				
NGOs and Governments		2 008	13 371		15 379
United Nations agencies		213	2 170		2 383
Due from United Nations agencies	(note 6)	17			17
Other accounts receivable and deferred charges	(note 7)	1 300	136		1 436
Accrued interest		1 867			1 867
Total assets		**124 571**	**224 365**	**926**	**349 862**
Liabilities					
Unliquidated obligations	(note 8)	2 986	2 219		5 205
Accounts payable	(note 9)	3 175	1 438	76	4 689
Due to United Nations agencies	(note 6)	26 771			26 771
Employee benefits	(note 11)	29 746			29 746
Total liabilities		**62 678**	**3 657**	**76**	**66 411**
Reserves and fund balances					
Operational reserve	(note 12)	21 000			21 000
Unexpended resources		40 893	220 708	850	262 451
Total reserves and fund balances		**61 893**	**220 708**	**850**	**283 451**
Total liabilities, reserves and fund balances		**124 571**	**224 365**	**926**	**349 862**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement II.I
Other resources

Balance sheet as at 31 December 2011
United Nations Entity for Gender Equality and the Empowerment of Women
(Thousands of United States dollars)

		Cost-sharing	*Trust funds*	*Support costs and other income*	*Total*
Assets					
Cash and investments	(note 5)	109 898	78 683	20 107	208 688
Operating funds provided to implementing partners	(note 3 (f))				–
NGOs and Governments		7 235	6 106	30	13 371
United Nations agencies		1 118	1 000	52	2 170
Other accounts receivable and deferred charges	(note 7)	119	–	17	136
Total assets		**118 370**	**85 789**	**20 206**	**224 365**
Liabilities					
Unliquidated obligations	(note 8)	1 514	305	400	2 219
Accounts payable	(note 9)	956	829	(347)	1 438
Total liabilities		**2 470**	**1 134**	**53**	**3 657**
Reserves and fund balances					
Unexpended resources		115 900	84 655	20 153	220 708
Total reserves and fund balances		**115 900**	**84 655**	**20 153**	**220 708**
Total liabilities, reserves and fund balances		**118 370**	**85 789**	**20 206**	**224 365**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement III

Cash flow for the financial year ended 31 December 2011

United Nations Entity for Gender Equality and the Empowerment of Women

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed resources*	*Total*
Cash flows from operating activities				
Net excess (shortfall) of income over expenditure (statement I)	26 021	11 037	850	37 908
(Increase) decrease in operating funds provided to NGOs and Governments	(2 008)	(13 371)		(15 379)
(Increase) decrease in operating funds provided to United Nations agencies	(213)	(2 170)		(2 383)
(Increase) decrease in other accounts receivable	(1 300)	(136)		(1 436)
Increase (decrease) in unliquidated obligations	2 986	2 219		5 205
Increase (decrease) due to United Nations agencies	26 754			26 754
Increase (decrease) in accounts payable and employee benefits	32 921	1 438	76	34 435
Less: interest income	(1 292)			(1 292)
Net cash flows from operating activities	**83 869**	**(983)**	**926**	**83 812**
Cash flows from investing activities				
Plus: interest income	(575)			(575)
Net cash flows from investing activities	**(575)**	**–**	**–**	**(575)**
Cash flows from financing activities				
Transfers to reserves and fund balances	35 872	210 621		246 493
Transfers from reserves — refunds to donors		(950)		(950)
Net cash from financing activities	**35 872**	**209 671**	**–**	**245 543**
Net increase (decrease) in cash and investments	**119 166**	**208 688**	**926**	**328 780**
Cash and investments as at 1 January 2011	**–**	**–**	**–**	**–**
Cash and investments as at 31 December 2011	**119 166**	**208 688**	**926**	**328 780**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement IV

Appropriations for the year ended 31 December 2011

United Nations Entity for Gender Equality and the Empowerment of Women

(Thousands of United States dollars)

Description of appropriations	*Appropriations 2011*	*Expenditure*			*Balance*
		Disbursements	*Unliquidated obligations*	*Total*	
Biennial support budget					
Harmonized management activities	51 500	49 454	1 823	51 277	223
General Assembly-mandated costs					
Atlas IPSAS development	300	284	3	287	13
United Nations mandated security	2 500	533	88	621	1 879
Special costs for change management and moving	8 000	1 819	146	1 965	6 035
Total	**62 300**	**52 090**	**2 060**	**54 150**	**8 150**
Regular budget					
Commission on the Status of Women	116	97		97	19
Executive direction and management	645	481		481	164
Subprogramme 1	2 294	1 986		1 986	308
Subprogramme 2	3 775	3 495		3 495	280
Programme support	153	48		48	105
Gross appropriations and expenditure	**6 983**	**6 107**	–	**6 107**	**876**

B. Schedules to the financial statements for the year ended 31 December 2011

Schedule 1

Summary of contributions for the year ended 31 December 2011
United Nations Entity for Gender Equality and the Empowerment of Women

(Thousands of United States dollars)

Donors	*Regular resources*	*Other resources*	*Total*	*Assessed resources*	*Total*
Governments	129 672	85 158	214 830		214 830
United Nations agencies	92	15 751	15 843	6 957	22 800
National committees	166	646	812		812
Other private sector donors	376	1 306	1 682		1 682
Total pledges for 2011	**130 306**	**102 861**	**233 167**	**6 957**	**240 124**
Less amounts paid in 2012 for 2011	(5 691)	(300)	(5 991)		(5 991)
Net contributions received in 2011	**124 615**	**102 561**	**227 176**	**6 957**	**234 133**

Schedule 2

Programme expenditure for the year ended 31 December 2011
United Nations Entity for Gender Equality and the Empowerment of Women

Thousands of United States dollars)

By geographical region	*Regular resources*	*Other resources*	*Total*
Africa			
Country offices	8 508	12 304	20 812
Regional offices	7 467	10 008	17 475
Latin America and the Caribbean			
Country offices	2 440	8 762	11 202
Regional offices	4 632	8 250	12 882
Arab States			
Country offices	1 266	5 253	6 519
Regional offices	1 459	839	2 298
Asia and the Pacific			
Country offices	2 577	12 318	14 895
Regional offices	6 159	6 899	13 058
Europe and CIS			
Country offices	338	474	812
Regional offices	2 458	6 006	8 464
Global programmes and other activities	16 321	22 230	38 551
Total	**53 625**	**93 343**	**146 968**
Represented by:			
Country offices	15 129	39 111	54 240
Regional offices	22 175	32 002	54 177
Global programmes	16 321	22 230	38 551
Less elimination entry (note 3 (f))		(8 910)	(8 910)
Total per statement I	**53 625**	**84 433**	**138 058**

C. Notes to the financial statements

Note 1
Mission statement

The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) is part of the United Nations. The vision of UN-Women is a world where societies are free of gender-based discrimination, where women and men have equal opportunities, where the comprehensive economic and social development of women and girls is ensured so that they can lead the change that they want to see, where gender equality and the empowerment of women are achieved, and women's rights are upheld in all efforts to further development, human rights, and peace and security.

The mandate of UN-Women built upon those of the previous United Nations composite entities, namely the Division for the Advancement of Women, the International Research and Training Institute for the Advancement of Women (INSTRAW), the Office of the Special Adviser on Gender Issues and Advancement of Women, and the United Nations Development Fund for Women (UNIFEM), calling on UN-Women to have universal coverage and strategic presence and to ensure closer linkages between norm-setting intergovernmental work and operations at the field level. The mandate is guided by the Beijing Platform for Action, the Convention on the Elimination of All Forms of Discrimination against Women, the Millennium Declaration, and other United Nations instruments, standards and legislation, in particular those of the General Assembly, the Economic and Social Council and the Commission on the Status of Women.

UN-Women is the driver catalyst and leading voice for gender equality and women's empowerment globally. It supports Member States, at their request, to advance gender equality, in line with national priorities and international norms and policies. It builds effective partnerships with civil society and mobilizes support, both political and financial, for the achievement of international goals for women. UN-Women provides substantive support to United Nations bodies on all aspects of gender equality issues.

It works with United Nations partners at the regional and country levels to ensure that demand for technical expertise from national partners and regional organizations are met. It undertakes global, regional and national advocacy efforts to ensure that underrecognized and underresourced issues receive necessary attention. At the country level, it provides technical and financial support to national partners, helping them develop the ability to address their priority challenges. UN-Women also supports United Nations country teams in strengthening and coordinating action on gender equality.

The mandated functions of UN-Women are:

(a) To support inter-governmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global standards and norms;

(b) To help Member States implement those standards, standing ready to provide suitable technical and financial support to those countries that request it, and to forge effective partnerships with civil society;

(c) To hold the United Nations system accountable for, and to support it to live up to, its own commitments on gender equality, including regular monitoring of system-wide progress.

Grounded in the vision of equality enshrined in the Charter of the United Nations, UN-Women works towards:

(a) The elimination of discrimination against women and girls;

(b) The empowerment of women;

(c) The achievement of equality between women and men as partners and beneficiaries of development, human rights, humanitarian action and peace and security.

The strategic plan of UN-Women lays out a number of priority areas for 2011-2013. They are:

(a) Expanding women's leadership and participation;

(b) Ending violence against women;

(c) Strengthening the implementation of the women and peace and security agenda;

(d) Enhancing women's economic empowerment;

(e) Making gender equality priorities central to national planning and budgeting at all levels.

As a sixth priority, UN-Women supports global level intergovernmental processes on gender equality and the empowerment of women within the framework of the Beijing Declaration and Platform for Action and the outcome of the twenty-third special session of the General Assembly and related instruments, standards and resolutions.

Note 2
Establishment of the United Nations Entity for Gender Equality and the Empowerment of Women

Legislative background on the establishment of the United Nations Entity for Gender Equality and the Empowerment of Women

The General Assembly adopted resolution 64/289 on 2 July 2010 on system-wide coherence, establishing the composite United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), to be operational by 1 January 2011. As such, UN-Women brought together four pre-existing United Nations gender entities — the Office of the Special Adviser on Gender Issues and Advancement of Women, the Division for the Advancement of Women, the United Nations Development Fund for Women (UNIFEM), and the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) — into one cohesive organization.

The founding resolution, in paragraphs 83 and 84, decided to transfer the existing mandates, functions and assets, including facilities and infrastructure, and liabilities, including contractual obligations from the former four entities, to UN-Women, from the date of adoption of the resolution. Furthermore, in paragraphs 86 and 87 of the resolution, the General Assembly dissolved UNIFEM and INSTRAW as of the date of adoption of the resolution.

The founding resolution, in paragraph 49, decided that as a composite entity, UN-Women would be operational by 1 January 2011 by consolidating and transferring to the entity the existing mandates and functions. Furthermore, the resolution dissolved the former four entities (paras. 86 and 87). This has led to different interpretations by the United Nations Development Programme and the United Nations Secretariat, which previously housed UNIFEM and INSTRAW, the Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women, respectively, as to the effective starting date of the operations of UN-Women and the transfer of assets and liabilities.

Transitional phase, July to December 2010, and start of operations in 2011

In accordance with resolution 64/289, transitional arrangements were put in place, and the Secretary-General appointed Michelle Bachelet as the Under-Secretary-General/Executive Director of UN-Women. She assumed her functions in September 2010.

A Transition Team was established to support the Executive Director in designing and implementing the transition phase, as recommended by the founding resolution. The Transition Team was supported by a Steering Committee to address operational issues of merging the four entities.

As recommended by the resolution, during the transitional period UN-Women consolidated the institutional and operational arrangements of the four former entities, including the establishment of a new organizational structure.

The Executive Board of UN-Women was elected by the Economic and Social Council in November 2010 and held its organizational session in December 2010. The Executive Board held its first regular session in January 2011. The resumed first regular session took place in March 2011, followed by the annual session in June and the second regular session in December.

The focus of the work of UN-Women in 2011 was to put in place: (a) an internal governance structure that would lead the change management process; (b) a sound funding structure through approval of the budgets by the governing bodies; (c) a strategic plan that clarified priorities and direction for operational and normative activities; and (d) a cohesive organization that consolidated the culture and working environments of the four entities.

2011 was the first year of operation of UN-Women, during which key capacities were being put in place at Headquarters, and, as a result, UN-Women did not operate at its full capacity. The alignment process constituted the first step of the consolidation process for Headquarters. This first phase was fully completed by March 2011. It was followed by two phases, an internal competitive selection process as per the change management guidelines and a subsequent external one. The senior management selection process was conducted simultaneously, and the entire team that would lead the next phases of the change management process was in place by September 2011. By the end of 2011, the recruitment of 119 positions had been completed.

In addition, in 2011, from the operational perspective, projects and programmes approved under UNIFEM, UN-Women continued as per previous arrangements, while transitional measures were put in place to roll out the new strategic plan for 2011-2013 which was approved in June. The continuation of previous operational arrangements was supported by paragraph 82 of the resolution, which provided for all activities of UN-Women to continue in accordance with the operational arrangements established before the date of adoption of the resolution until replaced by new arrangements. With regard to field operations and alignment with the new strategic plan priorities, UN-Women also organized five regional workshops with the participation of the managers of all field offices. The workshops focused on the implementation of the new strategic direction and the future programming modalities, and legacy operational issues to be addressed in 2012. In the last quarter of 2011, UN-Women put in place a new planning process at the country level through which new country level strategic notes and annual workplans

were developed. These were aligned with national and UN-Women strategic priorities and were approved following a detailed peer review process. As a result, in 2011, UN-Women accomplished the following:

(a) The finalization of the consolidation process with the completion of the organizational review and functional alignment for Headquarters in February 2011. Out of a total of 159 Headquarters positions reviewed, 150 (94 per cent) were aligned or matched;

(b) The recruitment of the two Assistant Secretaries-General in March 2011 and the entire senior management team, which was in place by September;

(c) The submission and approval of four budgets: (i) the support budget for 2010-2011 in January 2011; (ii) the regular budget for 2011 in December 2010; (iii) the revised strategic framework for 2010-2011 in June 2011; and (iv) the regular budget for 2012-2013 in November 2011 and the institutional budget for 2012-2013, in December 2011. The Board noted that as a composite entity, UN-Women has dual governing oversight arrangements to guide its normative and operational work. This dual governing arrangement involved four budget reviews and approval processes whereas the approval of the regular budget requires a submission of the strategic framework through the Committee for Programme and Coordination and the corresponding regular budget to the Fifth Committee, while the approval and submission of the institutional budget goes through the Executive Board. These are two parallel processes with different requirements and timing;

(d) The completion of the field capacity assessment, which is the basis for the future minimum structure of UN-Women field office representation;

(e) The submission and approval of the first Financial Regulations and Rules for UN-Women in April 2011 by the Executive Board;

(f) The submission and approval of UN-Women strategic plan for 2011-2013 in June 2011 by the Executive Board;

(g) The unification of information and communications technology infrastructure and relocation of the majority of Headquarters staff to the Daily News Building (220 East 42nd Street) from three different locations in the second half of 2011;

(h) The implementation of the strategic plan (2011-2013) which was rolled out through five regional meetings held during September and October 2011 with senior representatives of UN-Women from the field and Headquarters;

(i) The initial strengthening of 17 field offices as approved in the 2010-2011 support budget;

(j) The adoption of the International Public Sector Accounting Standards (IPSAS) as at 1 January 2012.

Transfer of assets

Based on the legal opinion provided by the United Nations Office of Legal Affairs, UN-Women ascertained the date on which the assets and liabilities of the four components should be transferred to be 1 January 2011. The Secretariat agreed to report in its financial statements for the full year of 2010 on the three components (the Division for the Advancement of Women, the Office of the Special Adviser on

Gender Issues and Advancement of Women and INSTRAW) that were previously managed by the Secretariat. With regard to UNIFEM, UNDP, based on its internal legal opinion, did not account for UNIFEM activities for the full year of 2010, as it took the view that its responsibilities to administer the fund were concluded when the fund was dissolved as at 2 July 2010. Consequently for the six-month period ended 31 December 2010, UN-Women prepared a set of financial statements for UNIFEM (part of UN-Women). and it is noted that UN-Women and UNDP have jointly signed the letter of representation for this six-month period. UN-Women has included as part of its financial statements for the year ended 31 December 2011 the six-month period for UNIFEM (part of UN-Women) in the annex to the financial statements.

The assets and liabilities transferred to UN-Women on 1 January 2011 were as follows:

(Thousands of United States dollars)

	UNIFEM	*INSTRAW*	*DAW and OSAGI*	*Total*
Assets	295 256	15 103	5 197	315 556
Liabilities	68 476	499	88	69 063
Operational reserve	21 000	–	–	21 000
Unexpended resources (statement I)	205 780	14 604	5 109	225 493
Liabilities and unexpended resources	**295 256**	**15 103**	**5 197**	**315 556**

The unexpended resources comprise the following:

Agency	*Regular resources*	*Other resources*	*Total*
UNIFEM	9 121	196 659	205 780
DAW and OSAGI		5 109	5 109
INSTRAW	5 751	8 853	14 604
Total	**14 872**	**210 621**	**225 493**

Note 3
Summary of significant accounting policies

(a) Accounting convention

The financial statements have been prepared in accordance with the Financial Regulations and Rules of UN-Women as approved by its Executive Board in resolution UNW/2011/5/Rev.1 of 8 April 2011 and the United Nations system accounting standards (revision VIII).

(b) Financial period

The financial statements are prepared on an annual basis in accordance with Regulation 12.1 of the Financial Regulations and Rules of UN-Women.

(c) Presentation of financial statements

The financial statements have been prepared showing the results of activities that are funded by three distinct types of resources:

(i) Regular resources represent resources which are unrestricted as to use. These resources are also referred to as core resources;

(ii) Other resources represent resources which are earmarked by the donors as to their use. These include resources for specific programme purposes, such as cost sharing, trust funds established by the Executive Director and the General Assembly. These resources are also referred to as non-core resources;

(iii) Assessed contributions are received from the United Nations to mainly fund the office of the Executive Director and the normative activities previously carried out by the Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women.

The results of the operations funded by these three types of resources are shown separately in the financial statements. This presentation is consistent with that adopted by UNDP, the United Nations Children's Fund and the United Nations Population Fund. These are the first financial statements for UN-Women and, therefore, comparative information is not available.

(d) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements and schedules are rounded to the nearest thousands of dollars and in the notes to the nearest million or thousands of dollars as indicated.

(e) Income

Interest income is accrued as income in the year to which it relates. All other income is accounted for on a cash basis.

(f) Expenditure

All expenditure is accounted for on a modified accrual basis, except for that relating to staff entitlements and programme expenditure implemented by Governments and non-governmental organizations, which are accounted for on a cash basis. However, included in the category of staff entitlements are costs related to after-service health insurance, annual leave, repatriation benefits and home leave allowances, which are recorded on an accrual basis.

Cash transfers to implementing partners that were based on agreements dated prior to 15 July 2011 were recorded as programme expenditure at the time the payment was made to the partners, and, as at 31 December 2011, the amount of cash transfers unspent by implementing partners was $11,067 thousand.

Cash transfers to implementing partners that were made based on new agreements signed after 15 July 2011 were treated as advances to the implementing partners and are recorded as an asset as at 31 December 2011. The implementing

partners provide UN-Women with certified reports documenting their use of UN-Women resources and are the basis for recording programme expenditure. Advances to implementing partners that remain outstanding at the end of the year are classified as "operating funds provided to implementing partners" in the balance sheet (statement II).

Where the programme activities are implemented by United Nations agencies, the implementing partners also provide UN-Women with certified reports documenting their use of UN-Women resources. The reports define expenditure according to the accounting policy of the United Nation agency reporting the expenditure. Such expenditure was defined as the sum of disbursements and unliquidated obligations as at the end of the reporting period. Advances to agencies that remain outstanding at the end of the year are classified as "operating funds provided to implementing partners" in the balance sheet (statement II).

The indirect costs charged by UN-Women in relation to the management of other resources are based on the rate of recovery of 7 per cent established by the UNDP/UNFPA Executive Board paper DP/2008/11 and decision of 2008/3. This decision was adopted by UN-Women following the transitional arrangements in resolution 64/289 referred to in note 2 describing the establishment of UN-Women. These indirect costs charged have been recognized during the year as an increase in support cost income, and at year end those amounts comprised the elimination item (see statement I.I and schedule 2).

(g) Support budget for voluntary resources and regular budget for assessed contributions

Following the establishment of UN-Women, the original biennial budgets for the entities that comprised UN-Women were all revised to take account of the new needs of UN-Women. The regular budget that funds the office of the Executive Director and the normative activities of the former Division for the Advancement of Women and the Office of the Special Adviser on Gender Issues and Advancement of Women, was approved by the General Assembly in its resolution 65/259.

The revised support budget that funds the voluntary resources was approved by the Executive Board of UN-Women in January 2011 in its resolution UNW/2011/L.2/Rev3.

(h) Currency exchange

Contributions in currencies other than United States dollars

Voluntary contributions received from Governments are translated into United States dollars using the United Nations operational rate of exchange in effect on the date of payment. All exchange differences against market rates are recorded as other income or expenditure.

Transactions in currencies other than United States dollars

For the purposes of accounting for transactions, and the maintenance of other financial records, other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the transaction. Assets and liabilities in other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report.

(i) Investments

All investments are recorded at cost in accordance with the United Nations system accounting standards, and the market value of investments in bonds is disclosed, where applicable, if it is different from the carrying amount.

All securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interest of overall investment management.

Marketable securities that potentially subject the entity to concentrations of credit risk consist primarily of bonds and certificates of deposit. Investments are placed in high credit quality financial instruments as determined by reputable third-party rating agencies. The credit quality of issuers of those investments is reviewed on an ongoing basis. In addition to placing investments only in high-quality financial instruments, liquidity risk is managed by limiting exposure to any one issue and to any one counterparty.

UNDP manages investments in a separate portfolio on behalf of UN-Women.

Owing to the nature of the activities, investments are commingled in the regular resources accounts. The balance of investments as at 31 December 2011 has been apportioned on the basis of the best available information.

(j) Non-expendable assets

Non-expendable assets are defined as items of equipment valued at $1,000 or more per unit, excluding freight and carriage, and with a serviceable life of at least three years.

The full cost of non-expendable equipment is charged as expenditure to the support budget or to programme expenditure in the year in which it is purchased. No such expenditures are capitalized as assets.

An inventory listing is maintained for all non-expendable assets. The value of non-expendable asset inventory as at 31 December 2011 is disclosed in note 10.

While UN-Women also maintains an inventory of items purchased from programme resources (including nationally executed projects and directly executed projects) the value of this inventory is excluded from the value disclosed in note 10 because such items generally revert to the recipient implementing partner on completion of the development project.

(k) Provisions

Accounts receivable are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition, that indicates it is probable that UN-Women may be unable to realize all amounts due. The carrying amount of the receivable is impaired to reduce it to its estimated recoverable amount.

(l) Employee benefits

Employee benefits include staff benefit liabilities for after-service health insurance, repatriation benefits, home leave allowances and annual leave.

Note 4
Support costs and other income

Support costs and other income of $798 thousand comprise the following:

(Thousands of United States dollars)

Agency	*Regular resources*	*Other resources*	*Total*
Support costs (note 3 (f))		8 910	8 910
Exchange gains	284		284
Interest apportioned		272	272
Other items	119	123	242
Less elimination entry (see statement I.I)		(8 910)	(8 910)
Total	**403**	**395**	**798**

Note 5
Cash and investments

The total cost and market value of the investments held as at 31 December 2010 are as follows:

(Thousands of United States dollars)

	Cost	*Market value*
Cash at bank and on hand	2 020	2 020
Time deposits	59 855	59 855
Certificates of deposit	54 985	54 985
Bonds/notes (callable)	193 857	194 274
Money market funds	18 063	18 063
Total	**328 780**	**329 197**

The balance of investments comprises the following:

Regular resources	119 166
Other resources	208 688
Assessed resources	926
Total	**328 780**

Included in the amount shown as regular resources are the following restricted funds:

Operational reserve	21 000
Employee benefits	29 746

The movement in the bond value shows an increase of $53.2 million during the year as detailed below:

Beginning value 01/01/2011	*Purchases*	*Maturities*	*Net amortization*	*Realized gain/loss*	*Adjustments*	*Carrying value 31/12/2011*	*Market value*	*Par value*
140 675	265 146	(207 475)	(4 489)			193 857	194 274	190 300

Note 6
Due to/from United Nations agencies

The balance of funds due to/from United Nations agencies comprises the following:

(Thousands of United States dollars)

	Due from	*Due to*
UNCDF	17	
UNDP		25 366
UNOPS		1 355
UNFPA		50
Total	**17**	**26 771**

Note 7
Accounts receivable and deferred charges

The balance of other accounts receivable and deferred charges comprises the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
Advances to staff	566	57	623
Other receivables	287	75	362
Deferred charges	447	4	451
Total	**1 300**	**136**	**1 436**

Note 8
Unliquidated obligations

The balance of unliquidated obligations comprises the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
Support budget	1 661	399	2 060
Programme expenditure	1 325	1 820	3 145
Total	**2 986**	**2 219**	**5 295**

Note 9
Accounts payable

The balance of accounts payable comprises the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Assessed resources*	*Total*
Accounts payable	2 237	1 418	14	3 669
Other payables	938	20	62	1 020
Total	**3 175**	**1 438**	**76**	**4 689**

Note 10
Non-expendable assets

The value at cost of non-expendable assets as at 31 December 2011 is $7,512 thousand, and this amount is not included in statement II.

Note 11
Employee benefits

The balances of employee benefits comprise the following:

(Thousands of United States dollars)

	Total
After-service health insurance	22 275
Annual leave	4 643
Repatriation benefits	2 287
Home leave allowances	541
Total	**29 746**

1. Post-retirement benefits

End-of-service and post-retirement benefits comprise after-service health insurance coverage and repatriation benefits. In order to gain a better understanding of the Organization's financial liability, post-retirement and end-of-service benefits are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm. The actuarial valuation of UN-Women, the Secretariat, UNDP and UNCDF is carried out jointly. UN-Women will carry out future valuations with the same frequency as the United Nations Secretariat.

(a) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The present value of the accrued after-service health insurance liability as of 31 December 2011, net of contributions from plan participants, is $27.4 million;

(iii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance were a discount rate of 6.0 per cent for results prior to 31 December 2011, grading down to 4.5 per cent for benefit obligations as at 31 December 2011; health-care escalation rates of 7.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 8.0 per cent in 2012 grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the organization's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan;

(iv) The 2011 valuation of after-service health insurance takes into consideration the contributions made by both active and retired plan participants in determining the residual liability of UN-Women. The actuary applied the sharing ratios approved by the General Assembly for the United Nations health insurance plan as established in 1983;

(v) Further to the assumptions in (b) (ii) above, it is estimated that the present value of the liability would increase by 28 per cent and decrease by 21 per cent, respectively, if medical cost trend is increased and decreased by 1 per cent, all other assumptions held constant. Similarly, it is estimated that the accrued liability would decrease by 21 per cent and increase by 29 per cent, respectively, if the discount rate is decreased and increased by 1 per cent and all other assumptions held constant;

UN-Women is funding the after-service health insurance liability from regular resources, other resources and interest income as well as interest on the after-service health insurance reserve balance as follows:

(In thousands of United States dollars)

	Total
Funding transferred from UNIFEM	20 200
Additions during the year funded from regular and other resources at 7.5% of payroll costs for active staff	2 075
Payments during the year	–
Total	**22 275**

The unfunded after-service health insurance liability, representing the difference between the actuarial valuation of the liability and the after-service health insurance reserve, is therefore $5.1 million. UN-Women will continue to set aside funds at 5 per cent of payroll costs of active staff and review its funding at the end of 2012.

(b) Repatriation benefits

(i) Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) The actuarial valuation of repatriation benefits as of 31 December 2011 reported the present value of this liability at $5.6 million, made up of $2.3 million for fully eligible active employees and $3.3 million for active employees not yet fully eligible. UN-Women reserved the amount of $2.3 million against regular resources, in the current financial statements for the active employees that are fully eligible for the benefit. In 2012, UN-Women will also provide funds for all active employees based on 2 per cent of the payroll costs and review its funding of this liability at the end of 2012;

(iii) The major assumptions used by the actuary were a discount rate of 4.5 per cent; annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum.

2. Annual leave

The liability related to annual leave calculated as at 31 December 2011 is $4.6 million, and this amount has been charged to the support budget in 2011.

3. Home leave

The estimated liability related to home leave as at 31 December 2011 is $541 thousand, and this amount has been charged to regular resources in 2011.

4. Pension benefits

UN-Women is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan.

An actuarial valuation of the Pension Fund assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, UN-Women is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the share of UN-Women of the related net liability/asset position of the Pension Fund is not reflected in the financial statements.

The organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provisions of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the General Assembly had not invoked this provision.

Note 12
Operational reserve

The purpose of the operational reserve is to provide for temporary fund deficits and to ensure the continuity of programme implementation in the event of downward fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in actual costs or other contingencies. For the year ended 31 December 2011, the methodology used by the former UNIFEM to calculate the operational reserve, in accordance with Executive Board decision 96/43, continued to be applied. As a result, no change was required for 2011, thus giving the balance of $21 million as at 31 December 2011.

Note 13
Other resources include activities of specified trust funds

1. United Nations Trust Fund in Support of Actions to Eliminate Violence against Women

The United Nations Trust Fund in Support of Actions to Eliminate Violence against Women was established in 1996 by the General Assembly in its resolution 50/166 and was managed by UNIFEM (one of the agencies merged to form UN-Women) since that date. Following the establishment of UN-Women, management and responsibility for the Trust Fund was transferred to UN-Women.

As the only funding mechanism exclusively devoted to supporting local and national efforts to end violence against women and girls, the Trust Fund works with

partners across the world to secure much needed services for women and girls affected by violence. Through its partners, the Trust Fund also invests in longer-term solutions for a world free of violence.

The Trust Fund provides funds annually through an open and competitive process. The majority of the funds go to non-governmental partners, while funds are also provided to governments and United Nations country teams.

Extracts of the resources in 2011 are as follows:

(Thousands of United States dollars)

	Total
Contributions received	8 545
Expenditure incurred	7 828
Resources as at 31 December 2011	38 877

2. *UN-Women Fund for Gender Equality*

The Fund for Gender Equality was established in 2008 by UNIFEM, one of the agencies that was consolidated to form UN-Women.

The Fund for Gender Equality is a multi-donor initiative designed to advance innovative, high-impact programmes that focus on women's economic and political empowerment at local and national levels, in line with national development plans and priorities. The Fund for Gender Equality provides funding on a competitive basis to civil society and governmental agencies in Africa, Asia and the Pacific, the Arab States, Latin America and the Caribbean, Central and Eastern Europe, and the Commonwealth of Independent States.

Extracts of the resources in 2011 are as follows:

(Thousands of United States dollars)

	Total
Contributions received	1 185
Expenditure incurred	8 060
Resources as at 31 December 2011	43 920

Note 14
Future commitments and receivables

1. *Leasehold commitments*

Future leasehold commitments against regular resources as at 31 December 2011 amount to $34 million for Headquarters and $1 million for country offices. The figures for Headquarters include "commercial" long-term leases signed for a period longer than five years at a cost of $15 million.

2. Contingent liabilities

As at 31 December 2011, UN-Women believes that there are no material contingent liabilities that have not otherwise been provided for in the financial statements for the year ended 31 December 2011.

3. Contributions due

The following contributions due as at 31 December 2011 are not included on statements I and II:

(Thousands of United States dollars)

	Total
Regular resources	5 691
Other resources	300
Total	**5 991**

Annex

United Nations Development Fund for Women (UNIFEM part of UN-Women)

Financial statements for the six months ended 31 December 2010 (2 July to 31 December 2010)

I. Financial report (not included)

II. Financial statements and schedules

Statement I

Income and expenditure and fund balances for the six months ended 31 December 2010 (2 July to 31 December 2010)

United Nations Development Fund for Women (part of UN-Women)

(Thousands of United States dollars)

		Regular resources	*Other resources*	*Total*
		July-Dec. 2010	*July-Dec. 2010*	*July-Dec. 2010*
Income				
Voluntary contributions		58 844	68 108	126 952
Support services	(note 4)	–	178	178
Other income	(note 4)	713	14	727
Interest income		(256)	643	387
Total income		**59 301**	**68 943**	**128 244**
Expenditure				
Programme		49 135	57 829	106 964
Biennial support budget		11 083	3 284	14 367
Total expenditure		**60 218**	**61 113**	**121 331**
Excess (shortfall) of income over expenditure		**(917)**	**7 830**	**6 913**
Refunds to donors and transfers to/from other funds		1	(775)	(774)
Transfer (to) operational reserve		(1 390)	–	(1 390)
Fund balances transferred from UNIFEM as at 2 July 2010		11 424	189 607	201 031
Fund balance as at 31 December 2010		**9 118**	**196 662**	**205 780**

Statement I.I

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement I.I
Other resources

Income and expenditure and fund balances for the six months ended 31 December 2010 (2 July to 31 December 2010)
United Nations Development Fund for Women (part of UN-Women)
(Thousands of United States dollars)

		Cost sharing	*Trust funds*	*Support cost*	*Elimination*	*Total*
		July-Dec. 2010	*July-Dec. 2010*	*July-Dec. 2010*	*July-Dec. 2010*	*July-Dec. 2010*
Income						
Voluntary contributions		54 305	13 803	–	–	68 108
Support services	(note 4)	–	–	5 811	(5 633)	178
Other income	(note 4)	4	10	–	–	14
Interest income		161	482	–	–	643
Total income		**54 470**	**14 295**	**5 811**	**(5 633)**	**68 943**
Expenditure						
Programme		43 624	19 838	–	(5 633)	57 829
Biennial support budget		–	–	3 284	–	3 284
Total expenditure		**43 624**	**19 838**	**3 284**	**(5 633)**	**61 113**
Excess (shortfall) of income over expenditure		**10 846**	**(5 543)**	**2 527**	**–**	**7 830**
Refunds to donors and transfers to/ from other funds		(763)	(5)	(7)	–	(775)
Fund balances transferred from UNIFEM as at 2 July 2010		76 251	96 871	16 485	–	189 607
Fund balance at 31 December 2010		**86 334**	**91 323**	**19 005**	**–**	**196 662**

Statement I

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement II

Assets, liabilities, reserves and fund balances as at 31 December 2010

United Nations Development Fund for Women (part of UN-Women)

(Thousands of United States dollars)

		Regular resources	*Other resources*	*Total*
		2010	*2010*	*2010*
Assets				
Cash	(note 5)	812	–	812
Investments	(note 5)	91 049	199 050	290 099
Operating funds provided to implementing partners				
United Nations agencies		42	807	849
Due from United Nations agencies	(note 6)	482	–	482
Accounts receivable and deferred charges	(note 7)	755	185	940
Accrued interest		2 074	–	2 074
Total assets		**95 214**	**200 042**	**295 256**
Liabilities				
Operating funds payable to implementing partners				
United Nations agencies		42	736	778
Due to United Nations agencies	(note 6)	33 327	–	33 327
Unliquidated obligations	(note 8)	9 083	–	9 083
Accounts payable	(note 9)	2 444	2 644	5 088
Deferred income		–	–	–
Provision for after-service health insurance	(note 11)	20 200	–	20 200
Total liabilities		**65 096**	**3 380**	**68 476**
Reserves and fund balances				
Operational reserve	(note 12)	21 000	–	21 000
Unexpended resources		9 118	196 662	205 780
Total reserves and fund balances		**30 118**	**196 662**	**226 780**
Total liabilities, reserves and fund balances		**95 214**	**200 042**	**295 256**

Statement II.I

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement II.I
Other resources

Assets, liabilities, reserves and fund balances as at 31 December 2010
United Nations Development Fund for Women (part of UN-Women)
(Thousands of United States dollars)

		Cost sharing	*Trust funds*	*Support cost*	*Total*
		2010	*2010*	*2010*	*2010*
Assets					
Investments	(note 5)	87 042	93 343	18 665	199 050
Operating funds provided to United Nations agencies		529	–	278	807
Accounts receivable and deferred charges	(note 7)	179	(10)	16	185
Total assets		**87 750**	**93 333**	**18 959**	**200 042**
Liabilities					
Operating funds payable to United Nations agencies		509	–	227	736
Accounts payable	(note 9)	907	2 010	(273)	2 644
Total liabilities		**1 416**	**2 010**	**(46)**	**3 380**
Reserves and fund balances					
Unexpended resources		86 334	91 323	19 005	196 662
Total reserves and fund balances		**86 334**	**91 323**	**19 005**	**196 662**
Total liabilities and reserves and fund balances		**87 750**	**93 333**	**18 959**	**200 042**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement III

Cash flows for the six months ended 31 December 2010 (2 July to 31 December 2010)
United Nations Development Fund for Women (part of UN-Women)

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
	July-Dec. 2010	*July-Dec. 2010*	*July-Dec. 2010*
Cash flows from operating activities			
Excess (shortfall) of income over expenditure	(917)	7 830	6 913
Add inflows (less outflows)			
(Increase) decrease in other accounts receivable and deferred charges	817	98	915
(Increase) decrease due from United Nations agencies	(45)	–	(45)
(Increase) decrease in operating funds provided to United Nations agencies	–	98	98
(Increase) decrease in operating funds provided to NGOs and Governments	–	51	51
Increase (decrease) in accounts payable and other liabilities	(639)	3 132	2 493
Increase (decrease) in unliquidated obligations	3 560	(9 407)	(5 847)
Increase (decrease) due to United Nations agencies	22 350	–	22 350
Increase (decrease) in operating funds payable to United Nations agencies	(54)	509	455
Increase (decrease) in operating funds payable to NGOs and Governments	(131)	–	(131)
Less: interest income	(568)	(643)	(1 211)
Net cash from operating activities	**24 373**	**1 668**	**26 041**
Cash flows from investing activities			
Add: interest income	568	643	1 211
Net cash from investing activities	**568**	**643**	**1 211**
Cash flows from financing activities			
Other adjustments to reserves and fund balances	20 200	–	20 200
Refunds to donors and transfers to/from other funds — net	1	(775)	(774)
Net cash from financing activities	**20 201**	**(775)**	**19 426**
Net increase in cash and investments	**45 142**	**1 536**	**46 678**
Cash and investments as at 2 July 2010	**46 719**	**197 514**	**244 233**
Cash and investments as at 31 December 2010	**91 861**	**199 050**	**290 911**

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

Statement IV

Appropriations for the six months ended 31 December 2010 (2 July to 31 December 2010)
United Nations Development Fund for Women (part of UN-Women)

(Thousands of United States dollars)

		Expenditure			
	Appropriations	*Disbursements*	*Unliquidated obligations*	*Total*	*Balance*
Biennial support budget	14 500	10 691	392	11 083	3 417
Total	**14 500**	**10 691**	**392**	**11 083**	**3 417**

Note: The original 2010-2011 biennial support budget of UNIFEM (part of UN-Women) which was approved by the UNDP Executive Board was $42 million.

The accompanying notes are an integral part of this statement and should be read in conjunction with it.

III. Notes to the financial statements

Note 1
Mission statement — United Nations Development Fund for Women (part of UN-Women)

In its resolution 39/125 of 14 December 1984, the General Assembly established the United Nations Development Fund for Women (UNIFEM) to play an innovative and catalytic role in the promotion of the empowerment of women and gender equality. More specifically, the mandate of the Fund is:

(a) To support innovative and experimental activities benefiting women, in line with national and regional priorities;

(b) To serve as a catalyst, with the goal of ensuring the appropriate involvement of women in mainstream development activities, as often as possible at the pre-investment stage;

(c) To play an innovative and catalytic role in relation to the United Nations overall system of development cooperation.

On 2 July 2010, by its resolution 64/289, the General Assembly authorized the creation of the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), to become operational as of 1 January 2011. UN-Women merged and built upon the important work of four previously distinct parts of the United Nations system, which focused exclusively on gender equality and women's empowerment, namely the Division for the Advancement of Women, the International Research and Training Institute for the Advancement of Women (INSTRAW), the Office of the Special Adviser on Gender Issues and Advancement of Women, and the United Nations Development Fund for Women (UNIFEM).

In that resolution, UNIFEM as it existed was dissolved and entered into a transitional period and was thereafter, until 1 January 2011, referred to as "UNIFEM (part of UN-Women)".

Note 2
Transfers of assets and liabilities

The assets and liabilities that were transferred into UNIFEM (part of UN-Women) during the interim period were as follows:

(Thousands of United States dollars)

	Total
Assets	249 597
Liabilities	28 956
Operational reserve	19 610
Unexpended resources (statement I)	201 031
Liabilities and unexpended resources	249 597

Note 3
Summary of significant accounting policies

(a) Accounting convention

These financial statements have been prepared in accordance with the Financial Regulations and Rules of the United Nations Development Programme (UNDP) as approved by its Executive Board and the Rules established by the UNDP Administrator under the Financial Regulations, and the United Nations system accounting standards (Revision VIII).

(b) Financial period

The financial statements for the six months ended 31 December 2010 cover the period from 2 July 2010 to 31 December 2010 of UNIFEM (part of UN-Women).

(c) Presentation of financial statements

The financial statements have been prepared showing the results of its activities that are funded by two distinct types of resources:

(i) Regular resources represent resources which are unrestricted as to use. These resources are also referred to as core resources,

(ii) Other resources represent resources which are earmarked by the donors as to their use. These include resources for specific programme purposes, such as cost-sharing and trust funds established by the Executive Director and the General Assembly. These resources are also referred to as non-core resources.

The results of the operations funded by the two types of resources are shown separately in the financial statements. This presentation is consistent with that adopted by UNDP, the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA).

(d) Unit of account

The unit of account used in the financial statements is the United States dollar. Where transactions have been made in other currencies, the equivalent in United States dollars is established using the United Nations operational rate of exchange.

The amounts in the statements are rounded to the nearest thousands of dollars and in the notes to the nearest millions or thousands of dollars as indicated.

(e) Income

Interest income is accrued as income in the year to which it relates. All other income is accounted for on a cash basis.

(f) Expenditure

All expenditure is accounted for on a modified accrual basis, except for that relating to staff entitlements and programme expenditure implemented by Governments and non-government organizations which are accounted for on a cash basis. However, included in the category of staff entitlements are costs related to after-service health insurance, which is recorded on an accrual basis.

Cash transfers to implementing partners are recorded as programme expenditure immediately as the payment is made to the partners.

Where the programme activities are implemented by United Nations agencies, these implementing partners also provide UNIFEM (part of UN-Women) with certified reports documenting their use of UNIFEM (part of UN-Women) resources. The reports define expenditure according to the accounting policy of the United Nations agency reporting the expenditure. Such expenditure was defined as the sum of disbursements and unliquidated obligations as at the end of the reporting period. Advances to agencies that remain outstanding at the end of the year are classified as "operating funds provided to implementing partners" in the statement of assets, liabilities, and reserves and fund balances (statement II).

The indirect costs charged by UNIFEM (part of UN-Women) in relation to the management of other resources are based on the rate of recovery of 7 per cent established by UNDP and Executive Board paper DP/2008/11 and UNFPA decision 2008/3. These indirect costs charged were recognized during the year as an increase in support cost income, and at year end those amounts comprise the elimination items (statement I.1).

(g) Biennial support budget for voluntary resources

Expenditure under the biennial support budget is recorded in accordance with the principles set out under note 3 (f).

(h) Currency exchange

Contributions in currencies other than United States dollars

Voluntary contributions received from Governments are translated into United States dollars using the United Nations operational rate of exchange in effect on the date of payment. All exchange differences against market rates are recorded as other income or expenditure.

Transactions in currencies other than United States dollars

For the purposes of accounting for transactions and the maintenance of other financial records, other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the transaction. Assets and liabilities in other currencies are translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report.

(i) Investments

All investments are recorded at cost in accordance with United Nations system accounting standards, and the market value of investments in bonds is disclosed, where applicable, if it is different from the carrying amount.

All securities held as investments are purchased with the intent to hold them to maturity. However, such securities may be sold in cases where there is a liquidity need or unexpected credit risk or where it is otherwise in the best interest of overall investment management.

Marketable securities which potentially subject the entity to concentrations of credit risk consist primarily of bonds and certificates of deposit. Investments are

placed in high credit quality financial instruments as determined by reputable third party rating agencies. The credit quality of issuers of those investments is reviewed on an ongoing basis. In addition to placing investments only in high quality financial instruments, liquidity risk is managed by limiting exposure to any one issue and to any one counterparty.

UNDP manages investments in a separate portfolio on behalf of UNIFEM (part of UN-Women).

Owing to the nature of the activities, investments are commingled in the regular resources accounts. The balance of investments as at 31 December 2010 has been apportioned on the basis of the best available information.

(j) Non-expendable assets

Non-expendable assets are defined as items of equipment valued at $1,000 or more per unit, excluding freight and carriage, and with a serviceable life of at least three years.

The full cost of non-expendable assets is charged as expenditure to the biennial support budget or to programme expenditure in the year in which it is purchased. No such expenditures are capitalized as assets.

An inventory listing is maintained for all non-expendable assets. The value of non-expendable assets as at 31 December 2010 is disclosed in note 10.

While UNIFEM (part of UN-Women) also maintains an inventory of items purchased from programme resources (including nationally executed projects and directly executed projects) the value of this inventory is excluded from the value disclosed in note 10 because such items generally revert to the recipient implementing partner on completion of the development project.

(k) Provisions

Accounts receivable are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition, that indicates it is probable that UNIFEM (part of UN-Women) may be unable to realize all amounts due. The carrying amount of the receivable is impaired to reduce it to its estimated recoverable amount.

(l) Employee benefits

Employee benefits include staff benefit liabilities for after-service health insurance, repatriation benefits, home leave allowance and annual leave.

Note 4
Support services and other income

Support services and other income of $0.9 million comprise the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
Support costs (note 3(f))	–	5 633	5 633
Interest apportioned (see statement I and I.I)	–	178	178
Exchange gains	642	4	646
Other	71	10	81
Less: elimination entry (see statement I.I)	–	(5 633)	(5 633)
Total	**713**	**192**	**905**

Note 5
Cash and investments

The total cost and market value of the investments held at 31 December 2010 are as follows:

(Thousands of United States dollars)

	Cost	*Market value*
Cash at bank and on-hand (see statement II)	812	812
Time deposits	60 000	60 000
Certificate of deposits	74 949	74 949
Bond/note (callable)	140 675	140 633
Money market funds	14 475	14 475
Total	**290 911**	**290 869**

The total amount of cash and investments by fund comprise the following:

(Thousands of United States dollars)

Regular resources	91 861
Other resources	199 050
Total	**290 911**

Included in the amount shown as regular resources are the following restricted funds:

(Thousands of United States dollars)

Operational reserve	21 000
Provision for after-service health insurance	20 200
Total	**41 200**

The movement in the bond value over the six months ended 31 December 2010 shows a decrease of $15.2 million in bonds, as detailed below:

(Thousands of United States dollars)

Beginning value 2 July 2010	*Purchases*	*Maturities*	*Net amortization*	*Realized gain/loss*	*Carrying value 31 December 2010*	*Market value*	*Par value*
155 892	78 451	(92 000)	(1 668)	–	140 675	140 633	139 475

Note 6
Due to/from United Nations agencies

The balances due from United Nations agencies comprise the following:

(Thousands of United States dollars)

	Regular resources
Due from UNFPA	462
Due from UNCDF	20
Total	**482**

The balances due to United Nations agencies comprise the following:

(Thousands of United States dollars)

	Regular resources
Due to UNDP	32 043
Due to UNOPS	1 284
Total	**33 327**

Note 7
Accounts receivable and deferred charges

The balances of accounts receivable and deferred charges comprise the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
Advances to staff	199	23	222
Other receivables	556	162	718
Total	**755**	**185**	**940**

Note 8
Unliquidated obligations

The balances of unliquidated obligations comprise the following:

(Thousands of United States dollars)

	Regular resources
Biennial support budget	392
Programme	8 691
Total	**9 083**

Note 9
Accounts payable

The balances of accounts payable comprise the following:

(Thousands of United States dollars)

	Regular resources	*Other resources*	*Total*
Accounts payable	2 280	2 618	4 898
Deferred payable	164	26	190
Total	**2 444**	**2 644**	**5 088**

Note 10
Non-expendable assets

The value of the non-expendable assets as at 31 December 2010 is $5.9 million, and this amount is not included in statement II.

Note 11
Employee benefits

1. Post-retirement benefits

End-of-service and post-retirement benefits comprise after-service health insurance coverage and repatriation benefits. In order to gain a better understanding of the organization's financial liability, post-retirement and end-of-service benefits are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm. The actuarial valuation of UNIFEM (part of UN-Women), the United Nations Secretariat, UNDP and UNCDF is carried out jointly. UNIFEM (part of UN-Women) will carry out future valuations with the same frequency as the United Nations Secretariat.

(a) After-service health insurance

(i) Upon end of service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance;

(ii) The present value of the accrued after-service health insurance liability as of 31 December 2009, net of contributions from plan participants, was $20.2 million. The next actuarial valuation will be as at 31 December 2011.

(iii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance were a discount rate of 6.0 per cent; health-care escalation rates of 8.4 per cent in 2010, grading down to 4.5 per cent in 2027 and later years for United States medical plans, and 6.0 per cent in 2010 grading down to 4.5 per cent in 2027 and later years for medical plans outside the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the organization's share shall not exceed one-half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan;

(iv) The 2009 valuation of after-service health insurance took into consideration the contributions made by both active and retired plan participants in determining the residual liability of UNIFEM (part of UN-Women). The actuary applied the sharing ratios approved by the General Assembly for the United Nations health insurance plan as established in 1983;

(v) Further to the assumptions in (b) (ii) above, it is estimated that the present value of the liability would increase by 19 per cent and decrease by 15 per cent, respectively, if medical cost trend is increased and decreased by

1 per cent, all other assumptions held constant. Similarly, it is estimated that the accrued liability would decrease by 15 per cent or increase by 20 per cent, respectively, if the discount rate increased or decreased by 1 per cent, all other assumptions remaining constant;

(vi) In 2010, UNIFEM (part of UN-Women) charged $20.2 million to regular resources to fund fully the after-service health insurance liability as at 31 December 2009. In future years, UNIFEM (part of UN-Women) will set aside funds from regular and other resources as a percentage of payroll costs of active staff and review its funding at the end of 2011.

(b) Repatriation benefits

(i) Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

(ii) The actuarial valuation of repatriation benefits as of 31 December 2009 reported the present value of this liability at $3.3 million based on a discount rate of 5.5 per cent prior to 31 December 2009 and 6.0 per cent as at 31 December 2009. The next actuarial valuation will be done at 31 December 2011.

2. Annual leave

The actuarial valuation of annual leave as of 31 December 2009 reported the present value of this liability at $1.6 million based on a discount rate of 5.5 per cent prior to 31 December 2009 and 6.0 per cent as at 31 December 2009. The next actuarial valuation will be done at 31 December 2011.

3. Pension benefits

UNIFEM (part of UN-Women) is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan.

An actuarial valuation of the Pension Fund assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the share of UNIFEM (part of UN-Women) of the related net liability/asset position of the Pension Fund is not reflected in the financial statements.

The Organizations' contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent for the participant and 15.8 per cent for the organizations, respectively, of the applicable pensionable remuneration, together with its share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such

deficiency payments are payable only if and when the General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as of the valuation date. As at the reporting date of the current financial statements, the Assembly had not invoked this provision.

Note 12
Operational reserve

On 17 January 1997, the Executive Board approved a partial funding modality to determine programme approval levels for UNIFEM and the associated operational reserve balance.

Under the partial funding modality, the maximum approved level for programming over a three-year period should be the net of a conservative estimate of income realization for the next three years minus administrative costs for that same period. A very conservative estimate of income to be realized for the first year would be equal to the estimated income for that year, calculated on the basis of the pledging conference results and direct consultations with donors. The estimate for the second year would be equal to 50 per cent of the estimated income of the first year, while the estimate for the third year would be equal to 25 per cent of the estimated income of the first year (i.e., 50 per cent of the estimate for the previous year). The administrative costs would be, by default, equal to three times the current-year costs.

The operational reserve would be set at the annual average expenditure over the programming period, that is, one third of the maximum programme approval level times the estimated delivery rate.

This partial funding modality was applied by UNIFEM (part of UN-Women) in accordance with which the operational reserve was $21 million as at 31 December 2010.

Note 13
Commitments and receivables

(a) Leasehold commitments

Future leasehold commitments against regular resources as at 31 December 2010 amount to $16 million for Headquarters and $3 million for country offices. The figures for Headquarters include "commercial" long-term leases signed for a period greater than five years at a cost of $15 million.

(b) Contingent liabilities

As at 31 December 2010, UNIFEM (part of UN-Women) believes that there are no material contingent liabilities that have not otherwise been provided for in the financial statements for the year ended 2010.

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